

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 12, 1999

| | | |
|---|---|----------------------------|
| IN RE: |) | |
| Petition of Network Plus, Inc. for a |) | |
| Certificate of Public Convenience and |) | Docket No. 98-00581 |
| Necessity to Provide Facilities-Based and |) | |
| Resold Local Exchange Telecommunications |) | |
| Services Throughout the State of Tennessee |) | |

**ORDER GRANTING CERTIFICATE OF
CONVENIENCE AND NECESSITY**

On February 9, 1999, this matter came before the Tennessee Regulatory Authority ("Authority"), upon the Petition of Network Plus, Inc. ("Network Plus") for a Certificate of Public Convenience and Necessity to offer a full array of facilities-based and resold telecommunications services within the State of Tennessee (the "Application"). The Application was made pursuant to Tenn. Code Ann. § 65-4-201 et seq.

LEGAL STANDARD FOR GRANTING CCN

Network Plus' Application was considered in light of the criteria for granting a certificate of public convenience and necessity ("CCN") as set forth in applicable statutes. Tenn. Code Ann. § 65-4-201 provides, in part:

(a) No public utility shall establish or begin the construction of, or operate any line, plant, or system, or route in or into a municipality or other territory already receiving a like service from another public utility, or establish service therein, without first having obtained from the authority, after written application and hearing, a certificate that the present or future public convenience and necessity require or will require such construction, establishment, and operation,

and no person or corporation not at the time a public utility shall commence the construction of any plant, line, system or route to be operated as a public utility, or the operation of which would constitute the same, or the owner or operator thereof, a public utility as defined by law, without having first obtained, in like manner, a similar certificate . . .

* * *

(c) After notice to the incumbent local exchange telephone company and other interested parties and following a hearing, the authority shall grant a certificate of convenience and necessity to a competing telecommunications service provider if after examining the evidence presented, the authority finds:

(1) The applicant has demonstrated that it will adhere to all applicable commission policies, rules and orders; and

(2) The applicant possesses sufficient managerial, financial, and technical abilities to provide the applied for services.

An authority order, including appropriate findings of fact and conclusions of law, denying or approving, with or without modification, an application for certification of a competing telecommunications service provider shall be entered no more than sixty (60) days from the filing of the application.

(d) Subsection (c) is not applicable to areas served by an incumbent local exchange telephone company with fewer than 100,000 total access lines in this state unless such company voluntarily enters into an interconnection agreement with a competing telecommunications service provider or unless such incumbent local exchange telephone company applies for a certificate to provide telecommunications services in an area outside its service area existing on June 6, 1995.

In addition, pursuant to Tenn. Code Ann. § 65-5-212, competing telecommunications providers are required to file with the Authority (1) a plan containing the provider's plan for purchasing goods and services from small and minority-owned telecommunications businesses; and (2) information on programs that might provide technical assistance to such businesses.

INTERVENORS

Public notice of the hearing in this matter was made by the Authority's Executive Secretary, pursuant to Tenn. Code Ann. § 65-4-204. No interested parties sought intervention prior to the hearing.

NETWORK PLUS' HEARING

Network Plus' Application was uncontested. At the hearing held on February 9, 1999, Network Plus was represented by Mr. Henry Walker of Boulton, Cummings, Connors & Berry, PLC, 414 Union Street, Suite 1600, Post Office Box 198062, Nashville, Tennessee 37219, and by Ms. Kathleen L. Greenan, Swidler & Berlin, 3000 K Street, N.W., Suite 300, Washington, D.C. 20007. Ms. Lisa Korner, Network Plus' Director of Business Development, presented testimony and was subject to examination by the Authority's Directors. Upon Network Plus' conclusion of the proof in its case, the Authority granted Network Plus' Application based upon the following findings of fact and conclusions of law:

I. APPLICANT'S QUALIFICATIONS

1. Network Plus is a corporation organized under the laws of the Commonwealth of Massachusetts on March 28, 1990. Network Plus is authorized to transact business in Tennessee.

2. The complete street address of Network Plus' principal place of business is 234 Copeland Street, Quincy, Massachusetts 02169. The phone number is (617) 786-4000 and fax number is (617) 786-8406. Network Plus' counsel are Henry Walker, Esq., 414 Union Street,

Post Office Box 198062, Nashville, TN 37219, and Andrew D. Lipman and Kathleen L. Greenan, Swidler & Berlin, 3000 K Street, N.W., Suite 300, Washington, D.C. 20007.

3. The Application and supporting documentary information existing in the record indicate that Network Plus has the requisite technical and managerial qualifications necessary to provide all forms of residential and business local exchange and exchange access telecommunications services within the State of Tennessee on a facilities-based and resale basis. Network Plus' management and technical teams have extensive experience in the telecommunications industry. Network Plus is currently authorized to provide intrastate interexchange telecommunications services in 49 states and local exchange services in nine states.

4. Network Plus has the necessary capital and financial qualifications to provide the services it proposes to offer.

5. Network Plus has represented that it will adhere to all applicable policies, rules and orders of the Authority.

II. PROPOSED SERVICES

1. Network Plus intends to offer a full range of residential and business local exchange and exchange access telecommunications services throughout the State of Tennessee. Network Plus will offer these services on a facilities-based and resale basis.

2. Initially, Network Plus plans to offer these services in the existing service areas of BellSouth Telecommunications, Inc.

3. Except as may be authorized by law, Network Plus does not intend to serve any areas currently being served by an incumbent local telephone company with fewer than 100,000

total access lines where local exchange competition is prohibited pursuant to Tenn. Code Ann. § 65-4-201(d).

III. PERMITTING COMPETITION TO SERVE THE PUBLIC CONVENIENCE AND NECESSITY

1. Upon a review of the Application and the record in this matter, the Authority finds that approval of Network Plus' application would inure to the benefit of the present and future public convenience by permitting competition in the telecommunications services markets in the State and by fostering the development of an efficient technologically advanced statewide system of telecommunications services.

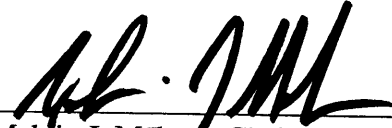
IV. SMALL AND MINORITY-OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION PLAN & BUSINESS ASSISTANCE PROGRAM

1. Network Plus has filed a satisfactory small and minority-owned telecommunications business participation plan, pursuant to Tenn. Code Ann. § 65-5-212 and the Authority's Rules.

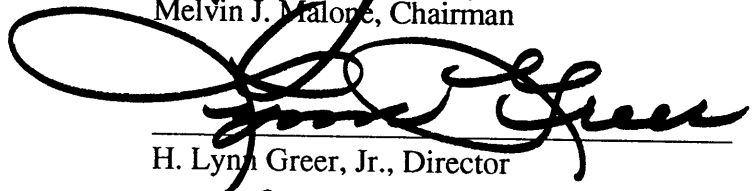
2. Network Plus has acknowledged its obligation to contribute to the funding of the small and minority-owned telecommunications business assistance program, as set forth in Tenn. Code Ann. § 65-5-213.

IT IS THEREFORE ORDERED THAT:

1. The Application of Network Plus is approved as applied for;
2. Any party aggrieved with the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.



Melvin J. Malone, Chairman

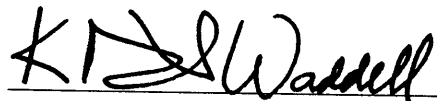


H. Lynn Greer, Jr., Director



Sara Kyle, Director

ATTEST:



K. David Waddell, Executive Secretary

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

NOTICE OF HEARING

DOCKET: 98-00581

PETITIONER: NETWORK PLUS, INC.

PETITIONER'S ATTORNEY: Kathleen L. Greenan

IN RE: Application of Network Plus, Inc. For a Certificate of Public Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange Telecommunications Services Throughout the State of Tennessee

DATE: February 4, 1999

Pursuant to T.C.A. § 65-4-201 et seq., the Authority has scheduled a **Hearing** in the above-captioned proceeding for **Tuesday, February 9, 1999, at 9:00AM** in the Hearing Room on the Ground Floor at 460 James Robertson Parkway, Nashville, TN.

This Hearing will be conducted in accordance with the Tennessee Uniform Administrative Procedures Act, T.C.A. §4-5-101 et seq. All parties are entitled to be represented by counsel. The Applicant shall file testimony and exhibits to support its application and response to the Staff Data Request by February 2, 1999.

Any motion to change the date of this hearing must be made in writing, and filed with the office of the Executive Secretary of the Authority, and directed to the Chairman of the Authority. Copies of the motion must be served on all parties.

Participants with disabilities who require special accommodations or alternate communications formats should contact the Tennessee Regulatory Authority ADA-EEO/AA Coordinator/Officer, 460 James Robertson Parkway, Nashville, Tennessee 37243-0505, 1-800-342-8359 or TDD 741-3930 so that reasonable accommodations can be made.

Director Greer will be participating in the Hearing electronically.

FOR THE TENNESSEE REGULATORY AUTHORITY:

K. David Waddell, Executive Secretary

cc: Parties of Record
Interested Parties

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



REC'D TN
REGULATORY AUTH.

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

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NOTICE OF HEARING OFFICE OF THE
EXECUTIVE SECRETARY

DOCKET: 98-00581

PETITIONER: NETWORK PLUS, INC.

PETITIONER'S ATTORNEY: Kathleen L. Greenan

IN RE: Application of Network Plus, Inc. For a Certificate of
Public Convenience and Necessity to Provide Facilities-Based and
Resold Local Exchange Telecommunications Services Throughout
the State of Tennessee

DATE: January 8, 1999

Pursuant to T.C.A. § 65-4-201 et seq., the Authority has scheduled a **Hearing** in the above-captioned proceeding for **Tuesday, February 9, 1999, at 9:00AM** in the Hearing Room on the Ground Floor at 460 James Robertson Parkway, Nashville, TN.

This Hearing will be conducted in accordance with the Tennessee Uniform Administrative Procedures Act, T.C.A. §4-5-101 et seq. All parties are entitled to be represented by counsel. The Applicant shall file testimony and exhibits to support its application and response to the Staff Data Request by February 2, 1999.

Any motion to change the date of this hearing must be made in writing, and filed with the office of the Executive Secretary of the Authority, and directed to the Chairman of the Authority. Copies of the motion must be served on all parties.

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FOR THE TENNESSEE REGULATORY AUTHORITY:

A handwritten signature in black ink, appearing to read "K. David Waddell".

K. David Waddell, Executive Secretary

cc: Parties of Record
Interested Parties

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November 19, 1998

VIA OVERNIGHT DELIVERY

K. David Waddell, Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

RECEIVED
EXEC. SECRETARY OFF.

NOV 24 1998

TN REGULATORY AUTHORITY

Re: Network Plus, Inc.
Docket No. 98-00581

Dear Mr. Waddell:

Enclosed for filing on behalf of Network Plus, Inc. ("Network Plus") are an original and thirteen (13) copies of the pre-filed testimony of Lisa Korner, Director of New Market Development of the applicant in the above-referenced proceeding.

Please date stamp the attached duplicate of this filing and return it in the enclosed self-addressed stamped envelope. Should any questions arise concerning this filing, please do not hesitate to contact me.

Respectfully submitted,



Kathleen L. Greenan
Counsel for Network Plus, Inc.

Enclosure

cc: Lisa Korner

**STATE OF TENNESSEE
BEFORE THE TENNESSEE REGULATORY AUTHORITY**

| | | |
|--|---|----------------------------|
| In the Matter of the Application of |) | |
| |) | |
| Network Plus, Inc. |) | Docket No. 98-00581 |
| |) | |
| for a Certificate of Convenience and |) | |
| Necessity to Provide Public Facilities-Based |) | |
| and Resold Local Exchange Telecommunications) |) | |
| Services Throughout the State of Tennessee |) | |

**DIRECT TESTIMONY OF LISA KORNER
ON BEHALF OF
NETWORK PLUS, INC.**

DIRECT TESTIMONY OF LISA KORNER
on behalf of
NETWORK PLUS, INC.

1 **Q. PLEASE STATE YOUR NAME, TITLE AND CURRENT BUSINESS ADDRESS**
2 **FOR THE RECORD.**

3 A. My name is Lisa Korner. I am Director of New Market Development of Network Plus, Inc.
4 ("Network Plus"), the Applicant in this proceeding. Network Plus currently provides long
5 distance, data and enhanced services to business and residential customers in Tennessee. By
6 this certification process, Network Plus seeks authority to expand its service offering in
7 Tennessee to include local exchange telecommunications services.

8 The current business headquarters of Network Plus is 234 Copeland Street, Quincy,
9 Massachusetts 02169, which initially will serve as the principal place of business for
10 Network Plus' operations in Tennessee. Network Plus does not have corporate offices in
11 Tennessee at this time, but plans to open offices in Tennessee in connection with the
12 installation of its planned state-of-the-art switches in Tennessee.

13 **Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF NEW MARKET**
14 **DEVELOPMENT?**

15 A. As Director of New Market Development, I am responsible for market analysis,
16 strategic planning for market expansion, network development, regulatory affairs,
17 external affairs and community relations.

18 **Q. PLEASE BRIEFLY SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.**

19 A. I have more than nine years of experience in all aspects of local and long distance
20 telecommunications, including engineering, operations and management. Prior to joining

1 Network Plus, I held various positions with Teleport Communications Group ("TCG") from
2 1989 to 1998. In my most recent position with TCG as Sales Director, I was responsible for
3 all sales to general business customers in New York. During that time I also served as
4 Manager of the independent sales channel consisting of over 50 agents.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE PROCEEDINGS?**

6 A. The purpose of my testimony is to discuss and sponsor Network Plus' Application, to
7 demonstrate the qualifications of Network Plus, and to explain why the Application should
8 be approved. My testimony, together with the information provided in the Application,
9 demonstrates that Network Plus possesses the technical, financial and managerial resources
10 and experience required to provide local exchange and exchange access service in Tennessee
11 and, therefore, that a certificate of convenience and necessity authorizing Network Plus to
12 provide such services should be granted.

13 **Q. ARE YOU FAMILIAR WITH THE APPLICATION THAT WAS SUBMITTED BY**
14 **NETWORK PLUS, INC. TO THE TENNESSEE REGULATORY AUTHORITY**
15 **("AUTHORITY") ON JULY 18, 1998 FOR A CERTIFICATE OF PUBLIC**
16 **CONVENIENCE AND NECESSITY TO PROVIDE LOCAL EXCHANGE**
17 **SERVICES (SUPPLEMENTED ON AUGUST 27, 1998, SEPTEMBER 4, 1998, AND**
18 **NOVEMBER 3, 1998 TO PROVIDE ADDITIONAL INFORMATION REQUESTED**
19 **BY AUTHORITY STAFF)?**

20 A. Yes, I am.

1 **Q. DO YOU RATIFY AND CONFIRM THE STATEMENTS THAT ARE MADE IN**
2 **NETWORK PLUS' APPLICATION AND SUPPLEMENTS THERETO?**

3 A. Yes, I do.

4 **Q. PLEASE BRIEFLY DESCRIBE NETWORK PLUS' APPLICATION.**

5 A. Network Plus' Application, which consists of six (6) pages, together with a verification page
6 and four exhibits, was filed on July 18, 1998. Supplements to the Application were
7 subsequently filed on August 27, 1998, September 4, 1998 and November 3, 1998 in
8 response to Staff's request for additional information. The Application and supplements
9 thereto provide the Authority with the information requested in T.C.A. § 65-4-201. I am
10 sponsoring through my direct testimony the introduction of the Application.

11 **Q. PLEASE DESCRIBE THE CORPORATE STRUCTURE AND OWNERSHIP OF**
12 **NETWORK PLUS.**

13 A. Network Plus, a Massachusetts corporation, is a wholly owned subsidiary of Network Plus
14 Corp., a Delaware corporation. All of the outstanding common stock is owned equally by
15 the Company's two stockholders, Robert T. Hale and Robert T. Hale, Jr., each an Officer and
16 Director of the Applicant.

17 **Q. WHAT SERVICES DOES NETWORK PLUS PROPOSE TO OFFER TO ITS**
18 **TENNESSEE CUSTOMERS?**

19 A. In addition to the intrastate interexchange services currently offered by Network Plus to
20 Tennessee customers, Network Plus intends to make available local exchange and exchange

1 access services, thereby offering a greater choice in services and making “one stop shop”
2 available to Tennessee residential and business customers. Network Plus’ local service in
3 Tennessee will be provisioned through either resale of the incumbent’s network, on Network
4 Plus’ own network, or a combination of both. Network Plus’ facilities-based network will
5 initially consist of a combination of its switching network and unbundled network elements
6 of the incumbent carrier and/or other facilities purchased from an alternative carrier. The
7 Company is still evaluating various network configurations, but expects to deploy a local
8 switching network some time after obtaining authority from the Tennessee Regulatory
9 Authority and executing an interconnection agreement with the incumbent local exchange
10 carrier.

11 **Q. WHEN DOES NETWORK PLUS INTEND TO FILE A FINAL LOCAL EXCHANGE**
12 **TARIFF WITH PRICES FOR ITS PROPOSED LOCAL EXCHANGE SERVICES?**

13 A. As the Authority is aware, there are a number of issues which must be negotiated with the
14 incumbent local exchange companies before Network Plus can file and implement a final
15 local exchange tariff containing service areas, service descriptions and rates. Network Plus
16 will file a final tariff with rates after successfully negotiating interconnection agreements
17 with the incumbent carriers and prior to initially offering local exchange and exchange access
18 service.

1 **Q. PLEASE DESCRIBE THE GEOGRAPHIC AREA IN WHICH NETWORK PLUS**
2 **INTENDS TO OFFER LOCAL EXCHANGE AND EXCHANGE ACCESS SERVICE**
3 **IN TENNESSEE.**

4 A. Network Plus is seeking authority to offer local exchange and exchange access throughout
5 the State of Tennessee, where allowed under state and federal law. At this time, we do not
6 intend to operate in the service area of any rural telephone company. Network Plus intends
7 to integrate local services into its current service offerings so that consumers have a greater
8 choice in their service provider for local services. By granting Network Plus authority, a
9 customer will be able to choose Network Plus' local service separate or in conjunction with
10 any of the other telecommunications services provided by the Company.

11 **Q. WILL THE PROVISION OF LOCAL EXCHANGE AND EXCHANGE ACCESS**
12 **SERVICE BY NETWORK PLUS COMPLY WITH THE AUTHORITY'S**
13 **REQUIREMENTS?**

14 A. Yes. Network Plus will comply with the rules, policies and statutes applicable to local
15 exchange providers or will request waivers where compliance would be burdensome and
16 unnecessary in the competitive marketplace.

17 **Q. HAS THE TENNESSEE REGULATORY AUTHORITY GRANTED NETWORK**
18 **PLUS AUTHORITY TO OPERATE AS AN INTEREXCHANGE**
19 **TELECOMMUNICATIONS SERVICE PROVIDER?**

1 A. Yes. On September 12, 1995, the Regulatory Authority issued a Certificate of Convenience
2 and Necessity to Network Plus to operate as an interexchange telecommunications reseller
3 and/or an operator service provider for state-wide service in Tennessee.

4 **Q. WHAT SERVICES DOES NETWORK PLUS CURRENTLY OFFER TO**
5 **TENNESSEE CUSTOMERS?**

6 A. Network Plus offers intrastate, intraLATA and interLATA interexchange toll service to both
7 residential and business customers throughout the State of Tennessee. Specifically, as
8 indicated in Network Plus' tariff, it provides dedicated and switched telecommunications
9 service, operator-assisted calling services, travel service, and prepaid calling cards.

10 **Q. DOES NETWORK PLUS HAVE THE FINANCIAL RESOURCES NEEDED TO**
11 **PROVIDE THE PROPOSED LOCAL EXCHANGE SERVICES IN TENNESSEE?**

12 A. Yes. Network Plus is capable of financing all of its proposed telecommunications operations
13 in Tennessee. Network Plus has demonstrated its ability to marshal the technical,
14 managerial, and financial resources necessary to carry out its business plan through its
15 successful operations throughout the United States.

16 Network Plus recently secured additional capital to fund its local exchange operations
17 in the Northeast and Southeast regions of the United States. Moreover, Network Plus'
18 investors are assuming any and all financial risk associated with this endeavor. The
19 company will have, no "captive" ratepayers who would be at risk if the company fell short
20 of meeting its financial projections. The company would be unable to raise rates in an effort

1 to recoup any such shortfall because of the highly competitive nature of the market in which
2 it will operate.

3 **Q. THE FINANCIAL STATEMENTS THAT WERE FILED AS PART OF NETWORK**
4 **PLUS' APPLICATION ON AUGUST 19, 1998 WERE PREPARED ON DECEMBER**
5 **31, 1997. HAVE THERE BEEN ANY SIGNIFICANT DEVELOPMENTS THAT**
6 **AFFECT THE DATA PROVIDED IN THESE FINANCIAL STATEMENTS?**

7 A: Yes. Earlier this year, Network Plus reached a substantial settlement with Tel-Save
8 Holdings, Inc. ("Tel-Save") that resulted in the transfer of physical possession of 765,000
9 shares of Tel-Save common stock to Network Plus. Network Plus' cash payments in
10 consideration for the stock were reflected on the December 31, 1997 financial statements,
11 but the value of the stock was not reflected because the physical transfer was being disputed
12 among the companies. Once the dispute was resolved and the shares were transferred to
13 Network Plus, the proper reimbursement and gain from the Tel-Save transaction was
14 allocated in revised 1997 financial statements that were faxed to the Commission on October
15 16, 1998. On November 3, 1998, Network Plus mailed to the Commission responses to
16 questions proffered by the TRA to Network Plus about the revised financial statements.

17 **Q. DOES NETWORK PLUS HAVE THE MANAGERIAL QUALIFICATIONS**
18 **NEEDED TO PROVIDE THE PROPOSED LOCAL EXCHANGE SERVICE IN**
19 **TENNESSEE?**

1 A. Yes. As detailed in Exhibit 3 to the Application, the executive officers and directors of
2 Network Plus are proven experts in the organization, funding and operation of domestic and
3 internationally based telecommunications service companies. Each executive officer and/or
4 director provides Network Plus with a significant expertise in finance, management, sales,
5 business development, carrier relations, strategic planning and/or technical operations. These
6 areas of expertise, when combined, create a powerful, well-informed management team.
7 This team has been very successful in developing and provisioning telecommunications
8 services that meet the individual consumer's needs. The executive team at Network Plus has
9 successfully developed and managed a competing telecommunications company that
10 currently serves more than 34,000 customers representing in excess of 150,000 access lines
11 and 30,000 toll-free numbers.

12 Network Plus has hired a highly-trained complement of manager-level employees to
13 assist the executive team in its strategic planning and deployment of local
14 telecommunications services. In addition to myself, Network Plus engaged Michael F.
15 Oyster and Joseph Haines.

16 -- Michael F. Oyster, President of the Local Services Division - Mr. Oyster has 22 years
17 of experience in the telecommunications industry, including local services, long
18 distance services, and voice and data equipment. Most recently, Mr. Oyster was the
19 Regional Vice President and General Manager of TCG in New York.

-- Joseph Haines, Vice President of Local Operations - Mr. Haines is responsible for the design, engineering and implementation of the Company's local service offering. From 1992 to 1998, Mr. Haines held various positions with TCG, most recently as Regional Vice President of Operations for TCG's largest network. In that position, Mr. Haines was responsible for constructing and deploying network transmission and switching facilities. Mr. Haines developed and managed TCG's national network management center, supervising TCG's network of switches and multiplexing equipment.

Q. IS NETWORK PLUS TECHNICALLY ABLE TO PROVIDE HIGH QUALITY LOCAL EXCHANGE SERVICES IN TENNESSEE?

A. Yes. Network Plus has the technology and experience to provide service of the highest quality to its customers in Tennessee. As indicated in the Application and supplement thereto, Network Plus plans to deploy a state-of-the-art Class 5 local switch, and NEBS compliant transmission gear in Tennessee in 1999. The Company is still evaluating various network configurations, but expects to install equipment such as the Nortel DMS250 or Lucent 5ESS, and either Nortel or Lucent OC48 systems. Network Plus' transmission and switching equipment will be engineered and equipped with redundancy and resiliency that will ensure a 99.9% availability of service to all customers.

The Company is committed to the continued development and successful implementation of an integrated provisioning, billing, collection and customer service system

1 that provides accurate and timely information to its customers. To support the provisioning
2 of its services, the information platform being developed by the Company is designed to
3 deliver information and automated ordering and provisioning capability directly to the end
4 user as well as to the Company's internal staff. To ensure accurate that customers receive
5 accurate, user-friendly bills, the Company maintains within its internal operational support
6 system all customer information, operational data, accounts receivable information, rating
7 rules and tables, and tax tables necessary for billing its customers. Network Plus recognizes
8 that it is entering into a competitive market. Without its commitment to quality and efficient,
9 reliable services, Network Plus would be unable to attract and retain customers.

10 **Q. DOES NETWORK PLUS HAVE A SMALL AND MINORITY-OWNED TELE-**
11 **COMMUNICATIONS BUSINESS PARTICIPATION PLAN, AS REQUIRED**
12 **PURSUANT TO T.C.A. § 65-5-212?**

13 **A.** Yes, Network Plus submitted its Small and Minority-owned Telecommunications Business
14 Participation Plan to the Authority on August 27, 1998.

15 **Q. HAS NETWORK PLUS DESIGNATED A PLAN ADMINISTRATOR WHO WILL**
16 **BE RESPONSIBLE FOR ADMINISTERING NETWORK PLUS' SMALL AND**
17 **MINORITY-OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION**
18 **PLAN?**

1 A. Yes. I will administer Network Plus' Small and Minority-Owned Telecommunications
2 Business Participation Plan. I may be reached at 1 World Trade Center, Suite 8121, New
3 York, New York 10048, (tel.) 212-775-0730.

4 **Q. IS APPROVAL OF NETWORK PLUS' APPLICATION IN THE PUBLIC**
5 **INTEREST?**

6 A. Yes. Both Congress and the Tennessee General Assembly have recognized that competition
7 in the local phone market is beneficial to Tennessee consumers. Competition will expand
8 customer choice and spur higher service quality as lower prices through increased innovation
9 and efficiency. Approval of Network Plus' Application will provide Tennessee business and
10 residential consumers with a viable, high quality competitive alternative for local exchange
11 and exchange access service. Network Plus has positioned itself to enter the market as soon
12 as possible following the approval of its Application. It anticipates starting operations in the
13 first quarter of 1999.

14 In addition, Network Plus intends to be a Tennessee based company that will create
15 jobs both directly as it continues to employ personnel, and indirectly through its need for
16 Tennessee-supplied equipment and services.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes.

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



NOV 19 PM 3 53

EXECUTIVE SECRETARY

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

CANCELLATION OF NOTICE OF HEARING

DOCKET: 98-00581

PETITIONER: NETWORK PLUS, INC.

PETITIONER'S ATTORNEY: Kathleen L. Greenan

IN RE: Application of Network Plus, Inc. For a
Certificate of Public Convenience and
Necessity as a Competing
Telecommunications Service Provider

DATE: November 19, 1998

The **Hearing** in the above captioned proceeding scheduled for **Tuesday, December 1, 1998 at 2:00PM, has been canceled**. Petitioner waived the sixty day deadline which the Authority has to decide its matter pursuant to T.C.A. § 65-4-201. The additional time will allow the Staff to gather the additional information necessary to access the abilities of the petitioner to provide the requested service.

FOR THE TENNESSEE REGULATORY AUTHORITY:

K. David Waddell, Executive Secretary

cc: Parties of Record

**BOULT
CUMMINGS
CONNERS
& BERRY** PLC

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November 18, 1998

REC'D TN
REGULATORY AUTH.

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K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

DO NOT REMOVE

Re: Application of Network Plus, Inc for a Certificate of Public Convenience
and Necessity as a Competing Telecommunications Service Provider
Docket No. 98-00581

Dear David:

I have been asked to serve as local counsel for Network Plus in the above-captioned CLEC application, now scheduled for hearing on December 1, 1998, at 2:00 p.m.

Network Plus requests that the hearing be postponed because the company's sole witness will be unavailable on that day. The applicant asks that this matter be rescheduled, at the Authority's convenience, anytime after the week of November 30 - December 4, 1998.

Network Plus has previously waived, and continues to waive, the statutory, sixty day deadline applicable to CLEC applications. See T.C.A. § 65-4-201(c).

Call me at 252-2363 if you have any questions.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Henry Walker

HW/njl
c: Kathleen Greenan, Esq.

ORIGINAL

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

REC'D TN
REGULATORY AUTH.

NOV 9 PM 1 28

November 6, 1998

EXECUTIVE SECRETARY

WASHINGTON OFFICE
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WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7647

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022-9998
TELEPHONE (212) 758-9500
FACSIMILE (212) 758-9526

VIA OVERNIGHT DELIVERY

David Waddell, Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

FILE

Re: Docket No. 98-00581 -- Application of Network Plus, Inc. for Certification as a
Competitive Local Exchange Carrier

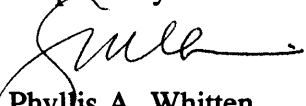
Dear Mr. Waddell:

On behalf of Network Plus, Inc. ("Network Plus" or "Company"), enclosed for filing in the above-referenced docket is a copy of our letter dated November 5, 1998, by which we notified the Authority that a newly formed holding company, Network Plus Corp., was established as the parent of Network Plus ("Reorganization"). As more fully discussed in that letter, the Reorganization was *pro forma* because it did not alter the ownership, control, management, operations or services of Network Plus.

This filing is made for informational purposes to be associated with the above referenced application of Network Plus for authority to provide competitive local exchange services. Because the Reorganization was purely *pro forma* in nature, it did not and will not affect Network Plus's pending application. An original and thirteen (13) copies of this filing are enclosed. Please date stamp the extra copy of this filing and return it in the self-addressed, postage paid envelope provided.

Should you have any questions, please do not hesitate to contact us.

Respectfully submitted,


Phyllis A. Whitten
Grace R. Chiu

Counsel for Network Plus, Inc.

Enclosure

cc: James J. Crowley, Esq. (w/o encl.)

258922.1

OFFICIAL FILE
PLEASE
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SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202)424-7500
FACSIMILE

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022

November 5, 1998

VIA OVERNIGHT DELIVERY

David Waddell
Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

Re: Notification of Internal Reorganization of Network Plus, Inc.

Dear Mr. Waddell:

On behalf of Network Plus, Inc. ("Network Plus" or "Company"), this letter is to notify the TRA of an internal reorganization of Network Plus. Network Plus is a nondominant carrier authorized to provide resold intrastate interexchange telecommunications services in the State of Tennessee. As described below, as a result of the reorganization, Network Plus Corp. ("NPC") was established as a newly created parent company of Network Plus.

This letter is submitted for informational purposes to be included in the appropriate TRA files. Please date stamp the enclosed extra copy of this letter and return it in the postage-paid envelope provided.

By way of background, Network Plus is a Massachusetts corporation located at 234 Copeland Street, Quincy, Massachusetts 02169. Network Plus provides resold intrastate interexchange services pursuant to authorization granted in Case No. 95-03033.

Prompted by important business and financial considerations, Network Plus undertook an internal corporate reorganization ("Reorganization"), whereby NPC was established as its holding company parent. NPC is a newly created Delaware holding company, which is also located at 234 Copeland Street, Quincy, Massachusetts 02169. NPC is owned by the same entities that owned Network Plus prior to the reorganization and in proportions identical to these owners' prior respective interest in Network Plus. NPC does not provide telecommunications services and holds no regulatory licenses from this or any other regulatory commission. Network Plus determined that the parent holding company structure would permit the Company to realize managerial, operational, and other corporate benefits that ultimately will accrue to the benefit of Network Plus's customers.

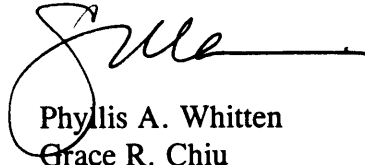
November 5, 1998

Page 2

Although Network Plus has a new parent, the Reorganization did not alter the ultimate ownership and control of Network Plus. Network Plus continues to be owned, controlled, and managed by the same entities that owned, controlled, and managed the Company prior to the Reorganization. The Reorganization, therefore, was entirely *pro forma* in nature and did not, in any way, result in any change in the management, operations, or services provided to Network Plus's customers. As such, the Reorganization was made in a seamless fashion that has been virtually transparent to the customers of Network Plus in terms of the services that they receive.

As stated above, this letter is provided for informational purposes to be included in the appropriate files. If there are any questions regarding this letter, please do not hesitate to contact us.

Very truly yours,



Phyllis A. Whitten
Grace R. Chiu

Counsel for Network Plus, Inc.

cc: James J. Crowley, Esq.

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

NOTICE OF HEARING

DOCKET: 98-00581
PETITIONER: NETWORK PLUS, INC.
PETITIONER'S ATTORNEY: Kathleen L. Greenan
IN RE: Application of Network Plus, Inc. For a Certificate
of Public Convenience and Necessity as a Competing
Telecommunications Service Provider
DATE: November 6, 1998

Pursuant to T.C.A. § 65-4-201 et seq., the Authority has scheduled a **Hearing** in the above-captioned proceeding for **Tuesday, December 1, 1998, at 2:00PM**, in the Hearing Room on the Ground Floor at 460 James Robertson Parkway, Nashville, TN.

This Hearing will be conducted in accordance with the Tennessee Uniform Administrative Procedures Act, T.C.A. §4-5-101 et seq. All parties are entitled to be represented by counsel. The Applicant shall file testimony and exhibits to support its application by November 20, 1998.

Any motion to change the date of this hearing must be made in writing, and filed with the office of the Executive Secretary of the Authority, and directed to the Chairman of the Authority. Copies of the motion must be served on all parties.

Participants with disabilities who require special accommodations or alternate communications formats should contact the Tennessee Regulatory Authority ADA-EEO/AA Coordinator/Officer, 460 James Robertson Parkway, Nashville, Tennessee 37243-0505, 1-800-342-8359 or TDD 741-3930 so that reasonable accommodations can be made.

FOR THE TENNESSEE REGULATORY AUTHORITY:

K. David Waddell, Executive Secretary

cc: Parties of Record
Interested Parties

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WASHINGTON, DC 20007-5116

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FACSIMILE (202) 424-7645

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KLGREENAN@SWIDLAW.COM

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REGULATORY AUTH.
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November 03, 1998

EXCISE SECRETARY

VIA FACSIMILE & OVERNIGHT DELIVERY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

FILE

Re: Docket No. 98-00581; Application of Network Plus, Inc. for a Certificate of Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange Telecommunications Services Throughout the State of Tennessee

Dear Mr. Waddell:

On behalf of Network Plus, Inc. ("Network Plus"), enclosed for filing in the above-referenced docket are an original and thirteen (13) copies of Network Plus' responses to Tennessee Regulatory Authority Staff's data requests dated October 20, 1998.

Please date-stamp the extra copy and return it to me in the enclosed self-addressed, stamped envelope. Should you have any questions regarding the enclosed filing, please do not hesitate to contact me.

Respectfully submitted,



Kathleen L. Greenan

Enclosure

cc: Mr. Darrell Whitis
James J. Crowley, Esq.
Mr. Steven L. Shapiro
Ms. Lisa Korner

OFFICIAL FILE

PLEASE

DO NOT REMOVE

Network Plus, Inc.

Responses to TRA Data Requests dated October 20, 1998

Page 2

DATA REQUEST (3)

In the Statement of Operations and Retained Earnings for year ended December 31, 1997 submitted with the application, there was ending retained earnings deficit of \$5,904,363. In the Statement of Operations and Retained Earnings for year ended December 31, 1997 that was faxed to the TRA on October 16, 1998, there was ended retained earnings of \$26,000. Explain what transactions transpired to change the deficit to a positive.

As detailed in the answer to Data Request (1) above, the difference between the retained earnings reported in the financial statements filed with Network Plus' application, and those faxed to the Authority on October 16, 1998 is due to the settlement of a contested transaction between Network Plus and Tel-Save.

DATA REQUEST (4)

The parent company, Network Plus Corp, was not created until July 1998. The December 31, 1997 audited financials present the financials as if the capitalization of the Company was done retroactively. In other words, the financials of the holding company would have only two accounts: an investment in Network Plus, Inc. and an equally valued equity account.

Network Plus, Inc.

Responses to TRA Data Requests dated October 20, 1998

Page 1

DATA REQUEST (1)

Explain the reason for the difference in the financial statements included in the application and those faxed to the TRA on October 16, 1998?

The financial statements filed with Network Plus' application on August 19, 1998 were unaudited and did not reflect a gain from a transaction that was being contested at the time the financial statements were prepared. Following the filing of the application, the contested issues were resolved by a settlement agreement and the financial statements were properly revised to reflect the reimbursement and gain from the resolution of the transaction. The transaction involved the exercise of warrants to purchase of shares of common stock of Tel-Save Holdings, Inc. ("Tel-Save") by Network Plus in 1995 and 1996. The agreement between Network Plus and Tel-Save required the transfer of ownership of common stock certificates from Tel-Save to Network Plus. In 1997, Network Plus made cash payments to exercise all outstanding warrants. In total, payments for warrants in 1997 entitled Network Plus to 765,000 shares of Tel-Save common stock, subject to the registration of the shares by Tel-Save. The shares were registered with the SEC in November 1997, but common stock certificates were not physically transferred to Network Plus.

In order to take physical possession of the Tel-Save common stock certificates, Network Plus filed suit against Tel-Save in January 1998. As stated, the outcome of the suit remained uncertain at the time the financial statements that were filed with Network Plus' application were prepared. Subsequent to the filing of the Network Plus' application, a settlement agreement was signed under which Tel-Save returned money paid by Network Plus during 1997, and issued remaining shares to Network Plus. The proper reimbursement and gain from the transaction was then properly allocated to the 1997 financial statements. The financial statements faxed to the Tennessee Regulatory Authority on October 16, 1998 are audited and reflect the change in the retained earnings due to the resolution of this suit.

DATA REQUEST (2)

Provide a detailed breakdown of the 'Other income, net', as reported on the Statement of Operations and Retained Earnings for year ended December 31, 1997, which were faxed to the TRA on October 16, 1998.

The category 'Other income, net,' as reported on the Statement of Operations and Retained Earnings for year ended December 31, 1997 totals \$3,917,000, including \$3,837,000 related to the Tel-Save transaction and miscellaneous other income gain on the sale of investments.

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November 03, 1998
EXECUTIVE SECRETARY

VIA FACSIMILE & OVERNIGHT DELIVERY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

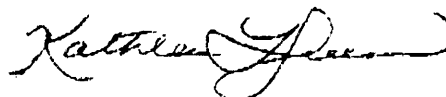
Re: Docket No. **98-00581**; Application of Network Plus, Inc. for a Certificate of Convenience and Necessity to Provide Facilities-Based and Resold Local Exchange Telecommunications Services Throughout the State of Tennessee

Dear Mr. Waddell:

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Respectfully submitted,



Kathleen L. Greenan

Enclosure

cc: Mr. Darrell Whitis
James J. Crowley, Esq.
Mr. Steven L. Shapiro
Ms. Lisa Korner

Network Plus, Inc.

Responses to TRA Data Requests dated October 20, 1998

Page 1

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Responses to TRA Data Requests dated October 20, 1998

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(202) 424-7645 (telecopier/fax#) - 4th Floor

FACSIMILE TRANSMITTAL

Today's Date: November 3, 1998

Time:

TRANSMITTAL TO:

Individual: Darrell Whitis
Company Name: Tennessee Regulatory Authority
Direct Phone #: 615-741-2904, ext. 132
Fax/Telecopier #: 615-741-2336

Total # of Pages: 4 (including cover page)

TRANSMITTAL FROM:

Individual: Kathleen L. Greenan
Direct Phone #: 202-424-6922
Attorney Code: 726
Billing Code: 5200.01

Message:

PLEASE DELIVER TO DARRELL WHITIS. THANK YOU.

If there is a problem with this transmission, it is important that you notify:

Name: Wendy Mills

Phone #: 202-945-6927

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October 28, 1998

EXECUTIVE SECRETARY

VIA FACSIMILE & OVERNIGHT DELIVERY

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

98-00581

Dear Mr. Waddell:

On behalf of Network Plus, Inc. ("Network Plus"), the undersigned counsel respectfully requests an extension of time in which to respond to the Tennessee Regulatory Authority ("TRA") staff's request for further information regarding Network Plus' application to provide local exchange services in Tennessee, which was filed on August 19, 1998.

In a letter dated October 20, 1998, the TRA staff requested that Network Plus provide certain information on or before October 27, 1998, including a financial analysis of certain transactions and a detailed breakdown of the Company's other net income.

Network Plus has undertaken to prepare the requested information, but has not yet completed gathering and preparing the requested data. Accordingly, Network Plus respectfully requests an extension of time to respond to staff's request.

Please date stamp the additional copy provided in the self-addressed stamped envelope. If you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,



Kathleen L. Greenan

cc: Lisa Spivey (via facsimile)
Darrell Whitis (via facsimile)
James J. Crowley, Esq.
Lisa Korner

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

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October 28, 1998
 EXECUTIVE SECRETARY

VIA FACSIMILE & OVERNIGHT DELIVERY

98-00581

K. David Waddell
 Executive Secretary
 Tennessee Regulatory Authority
 460 James Robertson Parkway
 Nashville, Tennessee 37243-0505

Dear Mr. Waddell:

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Kathleen L. Greenan

cc: Lisa Spivey (via facsimile)
 Darrell Whitis (via facsimile)
 James J. Crowley, Esq.
 Lisa Korner

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(202) 424-7645 (telecopier/fax#) - 4th Floor

FACSIMILE TRANSMITTAL

Today's Date: October 28, 1998

Time:

TRANSMITTAL TO:

Individual: Darrell Whitis
Company Name: Tennessee Regulatory Authority
Direct Phone #: 615-741-2904, ext. 132
Fax/Telecopier #: 615-741-2336

Total # of Pages: _____ (including cover page)

TRANSMITTAL FROM:

Individual: Kathleen L. Greenan
Direct Phone #: 202-424-6922
Attorney Code: 726
Billing Code: 5200.01

Message:

PLEASE DELIVER TO DARRELL WHITIS. THANK YOU.

If there is a problem with this transmission, it is important that you notify:

Name: Wendy Mills

Phone #: 202-945-6927

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October 28, 1998

VIA FACSIMILE & OVERNIGHT DELIVERY

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

98-00581

Dear Mr. Waddell:

On behalf of Network Plus, Inc. ("Network Plus"), the undersigned counsel respectfully requests an extension of time in which to respond to the Tennessee Regulatory Authority ("TRA") staff's request for further information regarding Network Plus' application to provide local exchange services in Tennessee, which was filed on August 19, 1998.

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Respectfully submitted,



Kathleen L. Greenan

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FACSIMILE TRANSMITTAL

Today's Date: October 28, 1998

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Individual: Lisa Spivey
Company Name: Tennessee Regulatory Authority
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Total # of Pages: _____ (including cover page)

TRANSMITTAL FROM:

Individual: Kathleen L. Greenan
Direct Phone #: 202-424-6922
Attorney Code: 726
Billing Code: 5200.01

Message:

PLEASE DELIVER TO LISA SPIVEY. THANK YOU.

If there is a problem with this transmission, it is important that you notify:

Name: Wendy Mills

Phone #: 202-945-6927

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JASON C. HOSKINS, SR.

LEGAL ASSISTANT

DIRECT DIAL (202) 945-6928

JCHOSKINS@SWIDLAW.COM

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REGULATORY AUTH.
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NEW YORK OFFICE
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October 19, 1998

OFFICE OF THE
EXECUTIVE SECRETARY

VIA Overnight Mail

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

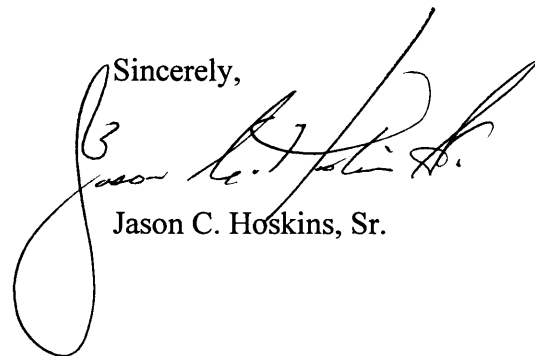
Re: Notice of Filing for Network Plus, Inc. Dkt. No. 98-00581

Dear Mr. Waddell:

In support of Network Plus' application for Certificate of Convenience and Necessity to provide local exchange telecommunication services throughout the state of Tennessee, enclosed is the Notice of Service sent to other LECs in Tennessee. We initially faxed copies to Mr. Darrell Whitis on September 23 per his request. We now wish to formally file Network Plus' notice.

Also enclosed, is an additional copy of the filing, which is to be date stamped and returned to us for our records. Please contact Kathleen Greenan (Counsel for Network Plus) if you have any questions regarding this matter.

Sincerely,



Jason C. Hoskins, Sr.

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116

TELEPHONE (202) 424-7500

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NEW YORK, NY 10022-9998

(212) 758-9500 FAX (212) 758-9526

VIA FIRST CLASS MAIL

TO: Carriers Operating in the State of Tennessee

FROM: Kathleen Greenan
Counsel for Network Plus, Inc.

DATE: September 22, 1998

RE: Application of Network Plus for a Certificate of Convenience and Necessity to
Provide Local Exchange Telecommunications Services Throughout the State of
Tennessee

NOTICE OF FILING

This is to notify you that the above-referenced telecommunications application was filed with the Tennessee Regulatory Authority on August 19, 1998. A copy of the application may be obtained from the Authority.

CERTIFICATE OF SERVICE

I, Kathleen L. Greenan, do hereby certify that a copy of the foregoing notice was served via first class U.S. Mail on the parties listed below on this 22nd day of September 1998.

BellSouth Telecommunications, Inc.
Guy M. Hicks, General Counsel
333 Commerce Street
Nashville, TN 37201-3300

Sprint-United
Steve Parrott
Director-Regulatory Affairs
United Telephone-Southeast, Inc.
14111 Capital Boulevard
Wake Forrest, NC 27587-5900

Levoy Knowles, General Manager
Ben Lomand Rural Telephone Coop.
P.O. Box 670
McMinnville, TN 37110-0670
(931) 668-4132

Greg L. Anderson, General Manager
Bledsoe Telephone Coop.
P.O. Box 609
Pikeville, TN 37367-0609

Wayne Gassaway, General Manager
DeKalb Telephone Coop.
P.O. Box 247
Alexandria, TN 37012-0247

Fred L. Terry, General Manager
Highland Telephone Coop.
P.O. Box 119
Sunbright, TN 37872

F. Thomas Rowland, General Manager
North Central Telephone Coop.
P.O. Box 70
Lafayette, TN 37083-0070

Citizens Telecommunications Company
of Tennessee
Citizens Telecommunications Company
of the Volunteer State

Mike Swatts
State Regulatory Director, South
P.O. Box 770
300 Bland Street
Bluefield, WV 24701

Hobart G. Davis, General Manager
Skyline Telephone Membership Corp.
P.O. Box 759
West Jefferson, NC 28694-0759

Twin Lakes Telephone Coop.
P.O. Box 67
Gainesboro, TN 38562

West Kentucky Rural Telephone Coop.
P.O. Box 649
Mayfield, KY 42066-0649

Yorkville Telephone Coop.
P.O. Box 8
Yorkville, TN 38389

American Communications Services, Inc.
131 National Business Parkway, Suite 100
Annapolis Junction, MD 20701

ATS of Tennessee, Inc.
3915 Mendenhall Road South
Memphis, TN 38115

AT&T
511 Union Street, Suite 1010
Nashville, TN 37219

Brooks Fiber Communications
of TN, Inc.
800 South Gay Street
Suite 1800
Knoxville, TN 37924

BTI Communications, Inc.
4200 Six Forks Road
P.O. Box 150002
Raleigh, NC 27624

Comm. Depot, Inc.
889 Bendik Drive
Jackson, TN 38301

DeltaCom, Inc.
P.O. Box 1233
Arab, AL 35016

GTE Communications Corp.
1200 Walnut Hill Lane
Irving, TX 75038

Hyperion of TN, Inc.
222 Second Avenue North
Washington Square-Suite 422
Nashville, TN 37219

ICG Telecom Group, Inc.
2100 West End Avenue, Suite 620
Nashville, TN 37203

Intermedia Communications
3625 Queen Palm Drive
Tampa, FL 33619-1309

LCI International Telecom Corp.
8180 Greensboro Drive, Suite 800
McLean, VA 22102

MCI Telecommunications Corp.
780 Johnston Ferry Road, Ste 700
Atlanta, GA 30342

MFS Communications Company, Inc.
One Tower Lane, Suite 1600
Oakbrooke Terrace, IL 60181

New South Communications, LLC
355 Woodruff Road
Greenville, SC 29607

NEXTLINK Tennessee
105 Molloy Street, Suite 300
Nashville, TN 37201

SouthEast Telephone LTD
317 Main Street, 4th Floor
Pikeville, KY 41501

Sprint Communications Company
3100 Cumberland Circle
Mailstop: GAATLN0802
Atlanta, GA 30339

TCG MidSouth
49 Music Square West
Suite 200
Nashville, TN 37203

Teligent, Inc.
8065 Leesburg Pike, Suite 400
Vienna, VA 22182

Time Warner
P.O. Box 210706
Nashville, TN 37221

US LEC of Tennessee
212 Tryon Street, Suite 1540
Charlotte, NC 228281


Logix Communications Corporation
13429 N. Broadway Extension, Suite 200
Oklahoma City, OK 73114

MFS Intelnet of Tennessee, Inc.
515 East Amite Street, 4th Floor
Jackson, MS 39201

WorldCom Technologies (LDDS)
Claire Daily, Director Legislative &
Regulatory Affairs
201 Energy Parkway, Suite 200
Lafayette, LA 70508

US West Interprise America, Inc.
1999 Broadway, Suite 700
Denver, CO 80202

WinStar Communications of TN, Inc.
7799 Leesburg Pike
Suite 401 South
Tyson's Corner, VA 22043



Kathleen L. Greenan

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director

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REGULATORY AUTH.

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460 James Robertson Parkway
Nashville, Tennessee 37243-0505

OFFICE OF THE
EXECUTIVE SECRETARY

October 20, 1998

Kathleen Greenan, Esq.
Swidler & Berlin, Chartered
3000 K Street, N.W., Suite 300
Washington, D.C. 20007

98-00581

RE: NETWORK PLUS, INC.

Dear Ms. Greenan:

In order to assist the Staff in our review of the CLEC application of Network Plus, Inc., please provide responses to the following inquiries by October 27, 1998.

1. Explain the reason for the differences in the financial statements included in the application and those faxed to the TRA on October 16, 1998.
2. Provide a detailed breakdown of the 'Other income, net', as reported on the Statements of Operations and Retained Earnings for year ended December 31, 1997, which were faxed to the TRA on October 16, 1998.
3. In the Statements of Operations and Retained Earnings for year ended December 31, 1997 submitted with the application, there was ending retained earnings deficit of \$5,904,363. In the Statements of Operations and Retained Earnings for year ended December 31, 1997 that was faxed to the TRA on October 16, 1998, there was ending retained earnings of \$26,000. Explain what transactions transpired to change the deficit to a positive.
4. Provide a copy of the financial statements for Network Plus, Inc.'s parent company, Network Plus, Corp.

If you have any questions regarding this request, please contact Lisa Spivey at (615) 741-2904 ext. 192. Thank you for your consideration in this matter.

Sincerely,



David Waddell
Executive Secretary

c: Docket file

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



REC'D TN
REGULATORY AUTH.

'98 OCT 20 PM 4 00

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

CANCELLATION OF NOTICE OF HEARING

DOCKET: 98-00581

PETITIONER NETWORK PLUS, INC.

PETITIONER'S ATTORNEY: Kathleen L. Greenan

IN RE: Application of Network Plus, Inc. For a Certificate of
Public Convenience and Necessity as a Competing
Telecommunications Service Provider

DATE: October 20, 1998

The **Hearing** in the above-captioned proceeding scheduled for **October 27, 1998**, has been **canceled**. Petitioner waived the sixty day deadline which the Authority has to decide this matter pursuant to T.C.A. §65-4-201. The additional time will allow the Staff to gather the additional information necessary to access the abilities of the petitioner to provide the requested service.

FOR THE TENNESSEE REGULATORY AUTHORITY:

A handwritten signature in black ink, appearing to read "K. David Waddell".

K. David Waddell, Executive Secretary

cc: Parties of Record

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300

WASHINGTON, DC 20007-5116

(202) 424-7500

(202) 424-7647 (telecopier/fax#) - 2nd Floor

(202) 424-7643 (telecopier/fax#) - 3rd Floor

(202) 424-7645 (telecopier/fax#) - 4th Floor

'98 OCT 16 PM 2 30 8-00581

FACSIMILE TRANSMITTAL

EXECUTIVE SECRETARY
Time:

Today's Date: October 16, 1998

TRANSMITTAL TO:

Individual: Darrell Whitis
Company Name: Tennessee Regulatory Authority
Direct Phone #: 615-741-2904, ext. 132
Fax/Telecopier #: 615-741-2336

Total # of Pages: _____ (including cover page)

TRANSMITTAL FROM:

Individual: Kathleen L. Greenan
Direct Phone #: 202-424-6922
Attorney Code:
Billing Code: 5200.01

Message:

Darrell:

As discussed, please see the attached financials for Network Plus. I am in the process of trying to gather more information that may be helpful to you. Therefore, I may be sending you additional materials. Please contact me if you have any questions.

Sincerely,
Kathleen

If there is a problem with this transmission, it is important that you notify:

Name: Wendy Mills

Phone #: 202-945-6927

THE INFORMATION CONTAINED IN THIS COMMUNICATION IS CONFIDENTIAL, MAY BE ATTORNEY-CLIENT PRIVILEGED, MAY CONSTITUTE INSIDE INFORMATION, AND IS INTENDED ONLY FOR THE USE OF THE ADDRESSEE. UNAUTHORIZED USE, DISCLOSURE, OR COPYING IS STRICTLY PROHIBITED AND MAY BE UNLAWFUL. IF YOU HAVE RECEIVED THIS COMMUNICATION IN ERROR, PLEASE IMMEDIATELY NOTIFY US AT THE NUMBER LISTED DIRECTLY ABOVE. THANK YOU.

NETWORK PLUS, INC.
FINANCIAL STATEMENTS
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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Network Plus Corp.:

In our opinion, the accompanying balance sheets and the related statements of operations and retained earnings and of cash flows present fairly, in all material respects, the financial position of Network Plus, Inc., a wholly owned subsidiary of Network Plus Corp., at December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Boston, Massachusetts
June 24, 1998, except for the information in
Notes 12 and 15, for which the dates are
July 15, 1998 and September 3, 1998, respectively

NETWORK PLUS, INC.
BALANCE SHEETS
(in thousands, except share and per share data)

| | December 31, | |
|---|-----------------|-----------------|
| | 1997 | 1996 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,502 | \$ 2,241 |
| Accounts receivable, net of allowance for doubtful accounts of \$926 and \$850, respectively | 16,927 | 14,974 |
| Marketable securities | 65 | 62 |
| Investments | 9,500 | 2,093 |
| Prepaid expenses | 415 | 308 |
| Other current assets | 112 | 93 |
| Total current assets | <u>28,521</u> | <u>19,771</u> |
| PROPERTY AND EQUIPMENT, NET | 6,957 | 3,075 |
| OTHER ASSETS | 103 | 69 |
| TOTAL ASSETS | <u>\$35,581</u> | <u>\$22,915</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$17,445 | \$14,023 |
| Accrued liabilities | 2,245 | 1,934 |
| Revolving line of credit | 4,510 | 2,000 |
| Notes payable to stockholders | 1,755 | — |
| Current portion of debt and capital lease obligations | 5,694 | 193 |
| Total current liabilities | <u>31,649</u> | <u>18,150</u> |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS | 3,623 | 664 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$.01 par value, 20,000,000 shares authorized, 10,000,000 shares issued and outstanding | 100 | 100 |
| Additional paid-in capital | 183 | 183 |
| Retained earnings | 26 | 3,818 |
| Total stockholders' equity | <u>309</u> | <u>4,101</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$35,581</u> | <u>\$22,915</u> |

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(in thousands, except share and per share data)

| | Year Ended December 31, | | |
|---|-------------------------|------------|------------|
| | 1997 | 1996 | 1995 |
| Revenue | \$ 98,209 | \$ 75,135 | \$ 49,024 |
| Direct cost of revenue | 78,106 | 57,208 | 35,065 |
| Gross profit | 20,103 | 17,927 | 13,959 |
| Operating expenses | | | |
| Selling, general and administrative expenses | 25,704 | 19,230 | 17,697 |
| Depreciation and amortization | 994 | 533 | 276 |
| | 26,698 | 19,763 | 17,973 |
| Operating loss | (6,595) | (1,836) | (4,014) |
| Other income (expense) | | | |
| Interest and dividend income | 86 | 95 | 202 |
| Other income, net | 3,917 | 3,529 | 7,859 |
| Interest expense | (557) | (313) | (40) |
| | 3,446 | 3,311 | 8,021 |
| Income (loss) before state income taxes | (3,149) | 1,475 | 4,007 |
| Provision for state income taxes | 42 | 60 | 312 |
| Net income (loss) | \$ (3,191) | \$ 1,415 | \$ 3,695 |
| Retained earnings, beginning | 3,818 | 3,639 | 1,834 |
| Distributions to stockholders | (601) | (1,237) | (1,890) |
| Retained earnings, ending | \$ 26 | \$ 3,818 | \$ 3,639 |
| Net income (loss) per share — basic and diluted | \$ (.32) | \$.14 | \$.37 |
| Weighted average shares outstanding | 10,000,000 | 10,000,000 | 10,000,000 |

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF CASH FLOWS
(in thousands)

| | Year Ended December 31, | | |
|--|-------------------------|-----------------|-----------------|
| | 1997 | 1996 | 1995 |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ (3,191) | \$ 1,415 | \$ 3,695 |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: | | | |
| Depreciation and amortization | 994 | 533 | 276 |
| Provision for losses on accounts receivable | 4,104 | 1,102 | 887 |
| Amortization of AT&T credits | — | (1,810) | (2,436) |
| Exercise of Tel-Save common stock warrants received as consideration | (3,570) | (2,800) | — |
| Valuation of Tel-Save common stock warrants received as consideration | (3,837) | (2,093) | — |
| Proceeds from sale of Tel-Save common stock | — | 4,167 | — |
| Gain on sale of Tel-Save common stock | — | (1,367) | — |
| (Increase) decrease in assets: | | | |
| Accounts receivable | (6,059) | (1,584) | (7,967) |
| Prepaid expenses | (107) | (218) | (60) |
| Other current assets | (19) | 11 | 198 |
| Other long-term assets | (34) | (13) | 484 |
| (Decrease) increase in liabilities: | | | |
| Accounts payable | 8,022 | 4,146 | 6,727 |
| Accrued liabilities | 311 | (438) | 659 |
| Net cash provided by (used for) operating activities .. | (3,388) | 1,051 | 2,463 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of fixed assets | 9 | — | — |
| Proceeds from sale of fixed assets to affiliate | — | 34 | 535 |
| Capital expenditures | (3,363) | (2,135) | (860) |
| Purchase of marketable securities | (3) | (3) | — |
| Proceeds from sale of marketable securities | — | 90 | 141 |
| Net cash used for investing activities | (3,357) | (2,014) | (184) |
| Cash flows from financing activities: | | | |
| Net proceeds from line of credit | 2,510 | 2,000 | — |
| Proceeds from note payable | — | 1,000 | — |
| Proceeds from notes payable to stockholders | 1,755 | — | — |
| Proceeds from sale and leaseback of fixed assets | 3,450 | — | — |
| Payments on debt and capital lease obligations | (1,110) | (167) | (13) |
| Distributions to stockholders | (601) | (1,237) | (1,890) |
| Net cash provided by (used for) financing activities ... | 6,004 | 1,596 | (1,903) |
| Net increase (decrease) in cash | (739) | 633 | 376 |
| Cash at beginning of year | 2,241 | 1,608 | 1,232 |
| Cash at end of year | <u>\$ 1,502</u> | <u>\$ 2,241</u> | <u>\$ 1,608</u> |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the year for: | | | |
| Interest | <u>\$ 498</u> | <u>\$ 298</u> | <u>\$ 40</u> |
| Income taxes | <u>\$ 15</u> | <u>\$ 243</u> | <u>\$ 167</u> |

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS
(in thousands, except share and per share data)

1. Summary of Significant Accounting Policies

Business Activity

Network Plus, Inc. (the "Company"), a wholly owned subsidiary of Network Plus Corp. (see Note 12), is a switch-based carrier and switchless reseller of long distance telecommunications services, principally to small and medium-sized businesses in the Northeastern and Southeastern regions of the United States. Revenues are derived from the sale of domestic and international telephone services, calling cards, debit cards and paging services. The Company operates two telephony switches, located in Quincy, Massachusetts and Orlando, Florida, and contracts with Sprint Communications Company, LP ("Sprint") to provide switching and dedicated voice and data services for a portion of the Company's telecommunications traffic.

Cash Equivalents

All highly liquid cash investments with maturities of three months or less at date of purchase are considered to be cash equivalents.

Revenue Recognition and Accounts Receivable

Telecommunication revenues and accounts receivable are recognized when calls are completed or when services are provided. Accounts receivable include both billed and unbilled amounts, and are reduced by an estimate for uncollectible amounts.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. Upon retirement or other disposition of property and equipment, the cost and related depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings.

Capital Leases

Capital leases, those leases which transfer substantially all benefits and risks of ownership, are accounted for as acquisitions of assets and incurrences of obligations. Capital lease amortization is included in depreciation and amortization expense, with the amortization period restricted to the lease term. Interest on the related obligation is recognized over the lease term at a constant periodic rate.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

Effective March 1, 1992, the Company elected by the consent of its stockholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay corporate federal income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on their share of the Company's taxable income.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)
(in thousands, except share and per share data)

The Company continues to pay state income taxes in those states that do not fully recognize the Subchapter S provision and states that assess certain franchise taxes.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. In addition, risk exists in cash deposited in banks that may, at times, be in excess of FDIC insurance limits. Cash balances are managed daily to reduce revolving credit borrowings. The trade accounts receivable risk is limited due to the breadth of entities comprising the Company's customer base and their dispersion across different industries and geographical regions. The Company evaluates the creditworthiness of customers, as appropriate, and maintains an adequate allowance for potential uncollectible accounts.

Earnings (Loss) Per Share

The Company computes and reports earnings per share in accordance with the provisions of SFAS No. 128, "Earnings Per Share". The computations of basic and diluted earnings (loss) per common share are based upon the weighted average number of common shares outstanding and potentially dilutive securities. Potentially dilutive securities include convertible preferred stock, stock options and warrants. There were no potentially dilutive securities outstanding during 1997, 1996 or 1995.

New Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), which is effective for fiscal years beginning after December 15, 1997, including interim periods. SFAS 130 requires the presentation of comprehensive income and its components. Comprehensive income presents a measure of all changes in equity that result from recognized transactions and other economic events during the period other than transactions with stockholders. The Company will adopt SFAS 130 in the first quarter of 1998 and does not expect comprehensive income to differ from reported net income.

In July 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), which is effective for fiscal years beginning after December 15, 1997. Interim reporting disclosures are not required in the first year of adoption. SFAS 131 specifies revised guidelines for determining an entity's operating segments and the type and level of operating information to be disclosed. SFAS 131 changes current practice under SFAS 14 by establishing a new framework on which to base segment reporting. The management approach described in SFAS 131 expands the required disclosures for each segment. The Company will adopt SFAS 131 in its year ending December 31, 1998, and has yet to determine the impact of such adoption on the reporting of its results of operations as currently presented.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The Company does not believe that this pronouncement will have a material impact on its business or results of operations.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)
(in thousands, except share and per share data)

Reclassifications

Certain amounts in the financial statements for prior years have been reclassified to conform with the current year presentation. Such reclassifications had no effect on previously reported results of operations.

2. Related Party Transactions

In December 1997, the Company's stockholders made loans to the Company totaling \$1,755. Interest on the loans accrues at the prevailing prime rate (8.5% at December 31, 1997) and is payable monthly. There is no required period for principal repayment. The loans were repaid in May 1998 and, accordingly, have been classified as a current liability in the accompanying balance sheet.

The Company had a service arrangement through May 1997 with a marketing company, the controlling stockholders of which include the Company's stockholders. The marketing company provided services relative to establishing, training and expanding the Company's sales organization. For the years ending December 31, 1997, 1996 and 1995, the amounts paid to the marketing company were \$55, \$132 and \$197, respectively.

Office space, located in Quincy, Massachusetts, is leased from a trust, the beneficiaries of which are the stockholders of the Company (see Note 11). The Company makes monthly rental payments of \$36. In each of the years ending December 31, 1997, 1996, and 1995, the amount paid to the trust was \$431.

3. Marketable Securities

Marketable securities are as follows:

| | December 31, 1997 | | December 31, 1996 | |
|------------------------|-------------------|--------------|-------------------|--------------|
| | Cost | Fair Value | Cost | Fair Value |
| U.S. obligations | \$ 3 | \$ 3 | \$ 3 | \$ 3 |
| Other securities | 62 | 62 | 59 | 59 |
| | <u>\$ 65</u> | <u>\$ 65</u> | <u>\$ 62</u> | <u>\$ 62</u> |

4. Investments and Sale of Customer Billing Base

Investments are as follows:

| | December 31, 1997 | | December 31, 1996 | |
|-------------------------|-------------------|----------------|-------------------|----------------|
| | Cost | Fair Value | Cost | Fair Value |
| Tel-Save warrants | <u>\$9,500</u> | <u>\$9,500</u> | <u>\$2,093</u> | <u>\$2,093</u> |

In 1995, the Company sold three separate billing bases of customer accounts to other telecommunications companies for cash totaling approximately \$8,422 and warrants to purchase shares of common stock of Tel-Save Holdings, Inc. ("Tel-Save"). The cash received was recognized as miscellaneous income in 1995. The Company was required to fulfill certain sales volume obligations in order to exercise the warrants. As of December 31, 1995, the Company had not met those obligations and, accordingly, had ascribed no value to the warrants.

During 1996, the Company met the sales volume obligations to exercise a portion of the outstanding warrants. Certain of these warrants were exercised and common stock related to those

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)
(in thousands, except share and per share data)

warrants was sold by the Company, resulting in net proceeds and income of \$1,367. The remainder of the warrants that became exercisable in 1996 were subsequently exercised in 1997. These warrants were classified as investments and were valued at approximately \$2,093 at December 31, 1996 using an established valuation model. A total of approximately \$3,460 was recognized as other income in 1996 relating to these warrants.

The agreements between Tel-Save and the Company required the transfer of ownership of the common stock certificates from Tel-Save to the Company upon the Company meeting certain requirements, which the Company, based upon available information, believed it had met in 1996 and 1997. Accordingly, in 1997, cash payments totaling \$3,570 were made to exercise all outstanding warrants. In total, payments for warrants in 1997 were believed to entitle the Company to 765,000 shares of Tel-Save common stock, subject to the registration of the shares by Tel-Save. The shares were registered with the Securities and Exchange Commission in November 1997, but common stock certificates were not physically transferred to the Company.

In order to take physical possession of the Tel-Save common stock certificates, the Company filed suit against Tel-Save in January 1998. On June 24, 1998, a settlement agreement was signed between the parties pursuant to which Tel-Save returned \$1,470 paid by the Company during 1997 in its attempt to exercise the final warrant for 315,000 shares, and canceled that warrant. In addition, Tel-Save issued the remaining 450,000 shares to the Company and simultaneously repurchased such shares for \$8,030. There are no continuing obligations between the parties. Accordingly, the Company's investment in Tel-Save at December 31, 1997 was valued at the \$9,500 received pursuant to the settlement in June 1998, and other income of \$3.8 million was recorded in 1997 to reflect this valuation.

5. Property and Equipment

| | Estimated Useful Life | December 31, | |
|--|--------------------------|-----------------|-----------------|
| | | 1997 | 1996 |
| Switching equipment | 5 years | \$ 4,004 | \$ 1,513 |
| Computer equipment | 3-5 years | 2,756 | 948 |
| Office furniture and equipment | 7 years | 1,272 | 1,157 |
| Purchased software | 3 years | 694 | 275 |
| Motor vehicles | 5 years | 174 | 175 |
| Leasehold improvements | Term of lease | 130 | 92 |
| | | 9,030 | 4,160 |
| Less accumulated depreciation and amortization | | (2,073) | (1,085) |
| | | <u>\$ 6,957</u> | <u>\$ 3,075</u> |

In 1997, upon review of the Company's experience and expectations for upgrades and replacement of equipment, the Company changed the estimated useful life of its switching equipment from 12 years to 5 years. Depreciation expense in 1997 was approximately \$136 more than what would have otherwise been reported had the change in estimate not been made. Annual depreciation expense related to these assets will be approximately \$407 more through 2002 than what would have otherwise been reported had the change not been made.

In August 1997, the Company entered into a sale and leaseback of its switching equipment. The equipment was sold at book value, which approximates market value, and, consequently, no gain or loss was recorded on the sale. The Company has the right to reacquire the equipment at the end of the lease's five-year term.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)
(in thousands, except share and per share data)

6. Accrued Liabilities

Accrued liabilities consist of the following:

| | December 31, | |
|--|----------------|----------------|
| | 1997 | 1996 |
| Accrued interest | \$ 60 | \$ 14 |
| Accrued salaries, wages, commissions and related taxes | 297 | 445 |
| Customer deposits | 361 | 125 |
| Accrued income and franchise taxes | 766 | 879 |
| Accrued taxes other than income and franchise | 238 | 375 |
| Other accrued liabilities | 523 | 96 |
| | <u>\$2,245</u> | <u>\$1,934</u> |

7. Revolving Credit Agreement

The Company has a revolving line of credit with Fleet National Bank ("Fleet") for borrowings up to \$7,000, including letters of credit, which expires on May 31, 1998. Availability in excess of \$5,000 is based upon a percentage of accounts receivable. Interest is payable monthly at the bank's prime rate or available LIBOR options. The revolving line of credit requires the Company to meet certain debt service, liquidity and tangible net worth covenants. At December 31, 1997, cash borrowings under the line of credit totalled \$4,510 and letters of credit issued in the ordinary course of business totalled \$120. At December 31, 1996, cash borrowings under the line totalled \$2,000 and there were no outstanding letters of credit. The interest rate on such borrowings was 8.5% at December 31, 1997 and 8.25% at December 31, 1996. The maximum borrowings under the agreement in 1997 and 1996 were \$5,000 and \$3,000, respectively.

On May 1, 1998, the Company entered into new revolving credit agreement with Fleet, which allows for up to \$23 million of borrowings, based upon a percentage of accounts receivable. The new agreement has a term of three years. Interest is payable monthly at Fleet's prime rate or available LIBOR options. The revolving credit agreement requires the Company to meet certain gross margin, operating income and tangible net worth covenants. All outstanding notes payable were paid in full with proceeds from the new facility.

8. Debt and Capital Lease Obligations

Debt and capital lease obligations consist of the following:

| | December 31, | |
|---------------------------------|-----------------|---------------|
| | 1997 | 1996 |
| Notes payable | \$ 4,600 | \$ 855 |
| Capital lease obligations | 4,717 | 2 |
| | 9,317 | 857 |
| Less current portion | (5,694) | (193) |
| | <u>\$ 3,623</u> | <u>\$ 664</u> |

The Company issued a promissory note, dated December 1, 1997, to Sprint for repayment of \$4,600 previously classified as accounts payable. Monthly principal payments are required from February 1998 through the note's maturity on September 1, 1998. Interest accrues at a fixed rate of

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)
(in thousands, except share and per share data)

9.75% per annum on the unpaid principal balance and is payable monthly. The promissory note and accrued interest were paid in full on May 1, 1998.

In January of 1996, the Company entered into a five-year term loan agreement in the amount of \$1,000 at a fixed rate of 8.11% per year, collateralized by switching equipment. This loan was repaid in October 1997. At December 31, 1996, the unpaid principal on the loan was \$846.

The Company's capital leases contain various covenants which, among other things, require the Company to maintain specified ratios of total liabilities to net worth and to meet certain net income requirements.

9. Lease Commitments

The Company has entered into noncancellable operating leases for office space in several locations in the eastern United States. The leases have termination dates through 2003 and require the payment of various operating costs including condominium fees. Rental expense related to the leases for the years ended December 31, 1997, 1996 and 1995 were \$733, \$688 and \$501, respectively.

Minimum lease payments for the next five years and thereafter are as follows:

| Year Ended December 31, | Capital Leases | Operating Leases |
|---|----------------|------------------|
| 1998 | \$ 1,254 | \$ 684 |
| 1999 | 1,368 | 630 |
| 2000 | 1,230 | 346 |
| 2001 | 817 | 88 |
| 2002 | 750 | 90 |
| Thereafter | — | 75 |
| Total minimum lease payments | \$ 5,419 | \$ 1,913 |
| Less imputed interest | (702) | |
| Present value of minimum lease payments | 4,717 | |
| Less current portion | (1,094) | |
| Long-term capital lease obligations | \$ 3,623 | |

Property and equipment under capital leases are as follows:

| | December 31, | |
|-------------------------------------|--------------|------|
| | 1997 | 1996 |
| Switching equipment | \$3,837 | \$— |
| Computer equipment | 1,527 | — |
| Office equipment | — | 3 |
| | 5,364 | 3 |
| Less accumulated amortization | (515) | (3) |
| | \$4,849 | \$— |

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)
(in thousands, except share and per share data)

10. Unearned Credits

In 1993 and 1994, the Company, through special sales promotions offered through AT&T on three-year service contracts, received cash based on maintaining annual sales commitment levels over a specific dollar amount. The total amounts received from the AT&T promotions were amortized over the three-year length of each contract and were fully amortized prior to 1997. Amortization of these credits included in revenue in 1996 and 1995 was \$1,810 and \$2,436, respectively.

11. Commitments and Contingencies

The Company is contingently liable as a guarantor on a bank loan made to the trust from whom the Company leases office space in Quincy, Massachusetts (see Note 2). The outstanding balance of the loan at December 31, 1997 and 1996 is \$1,486 and \$1,546, respectively.

12. Stockholders' Equity

On July 15, 1998, the stockholders of the Company created Network Plus Corp. ("NP Corp."), which was incorporated in the State of Delaware. NP Corp. expects to elect to be taxed under the provisions of Subchapter S of the Internal Revenue Code. NP Corp. became the owner of 100% of the issued and outstanding common stock of the Company on July 15, 1998, the date on which the stockholders of the Company contributed their ownership interest in the Company totaling 100 shares of common stock in return for 10,000,000 shares of common stock, representing 100% of the ownership interest of NP Corp. These transactions were initiated by the stockholders of the Company to achieve a number of business objectives including an increase in the number of shares of common stock authorized for issuance and issued and outstanding. The Company has accounted for the effects of these transactions as a 100,000-for-1 stock split and retroactively restated the accompanying financial statements to reflect these transactions.

Common Stock

The certificate of incorporation of NP Corp. authorizes the issuance of up to 20,000,000 shares of \$.01 par value common stock. There are 10,000,000 shares of common stock issued and outstanding and held of record by two stockholders as of July 15, 1998. The holders of common stock are entitled to receive dividends when and as dividends are declared by the Board of Directors of NP Corp. out of funds legally available therefor, provided that if any shares of preferred stock are at the time outstanding, the payment of dividends on the common stock or other distributions may be subject to the declaration and payment of dividends on outstanding shares of preferred stock. Holders of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors. Upon any liquidation, dissolution or winding up of the affairs of NP Corp., whether voluntary or involuntary, any assets remaining after the satisfaction in full of the prior rights of creditors and the aggregate liquidation preference of any preferred stock then outstanding will be distributed to the holders of common stock ratably in proportion to the number of shares held by them. The common stock is not publicly traded.

Preferred Stock

Under the certificate of incorporation of NP Corp., the Board of Directors has the authority to issue up to 1,000,000 shares of \$.01 par value preferred stock from time to time in one or more series with such preferences, terms and rights as the Board of Directors may determine without further action by the stockholders of NP Corp. Accordingly, the Board of Directors has the power to establish the provisions, if any, relating to dividends, voting rights, redemption rates, sinking funds,

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS --- (Continued)
(in thousands, except share and per share data)

liquidation preferences and conversion rights for any series of preferred stock issued in the future. There are currently no shares of preferred stock outstanding.

Stock-based Compensation Plans

On July 15, 1998, NP Corp. adopted the 1998 Stock Incentive Plan (the "1998 Incentive Plan"). The 1998 Incentive Plan provides for the grant of stock-based awards to employees, officers and directors of, and consultants or advisors to, NP Corp. Under the 1998 Incentive Plan, the Company may grant options that are intended to qualify as incentive stock options ("incentive stock options") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), options not intended to qualify as incentive stock options ("non-statutory options"), restricted stock and other stock-based awards. Incentive stock options may be granted only to employees of NP Corp. or its subsidiaries. A total of 1,400,000 shares of common stock may be issued upon the exercise of options or other awards granted under the 1998 Incentive Plan. The number of shares with respect to which awards may be granted to any employee under the 1998 Incentive Plan may not exceed 700,000 during any calendar year. The exercisability of options or other awards granted under the 1998 Incentive Plan may, in certain circumstances, be accelerated in connection with an Acquisition Event (as defined in the 1998 Incentive Plan). Options and other awards may be granted under the 1998 Incentive Plan at exercise prices that are equal to, less than or greater than the fair market value of NP Corp.'s common stock, and the Board generally retains the authority to reprice outstanding options. The 1998 Incentive Plan expires in July 2008, unless sooner terminated by the Board.

On July 15, 1998, NP Corp. authorized the grant of a total of 741,140 options to purchase NP Corp. common stock at exercise prices at or above the fair market value of NP Corp.'s common stock, as determined by its Board of Directors. The options, when issued, will generally vest ratably over a period of four years. NP Corp. and the Company intend to adopt the accounting provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation". Accordingly, the Company's or NP Corp.'s results of operations are not expected to be materially affected by the options granted to date under this plan.

On July 15, 1998, NP Corp. adopted the 1998 Director Stock Option Plan (the "Director Plan"). Under the terms of the Director Plan, 5,000 shares of common stock will be granted to each non-employee director upon his or her initial election to the Board of Directors. Annual options to purchase 2,500 shares of common stock will also be granted to each non-employee director on the date of each annual meeting of stockholders, or on August 1 of each year if no annual meeting is held by such date. Options granted under the Director Plan will vest in four equal annual installments beginning on the first anniversary of the date of grant. The exercisability of these options will be accelerated upon the occurrence of an Acquisition Event (as defined in the Director Plan). The exercise price of options granted under the Director Plan is equal to the fair market value of the common stock on the date of grant. A total of 100,000 shares of common stock may be issued upon the exercise of stock options granted under the Director Plan. No options have been granted under this plan.

Dividend

On July 15, 1998, the Board of Directors of NP Corp. declared a dividend in the aggregate amount of \$5,000. As a result, it is anticipated that \$2,500 will be distributed to each of the stockholders of NP Corp. Following receipt of the dividend, one stockholder will loan the Company \$1,875 (representing the distribution to that stockholder, net of the estimated tax liability resulting

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS — (Continued)
(in thousands, except share and per share data)

from such distribution). Interest will accrue at Fleet's prime rate, and interest and principal will be payable 10 days after redemption of the Series A Preferred Stock.

13. Major Supplier

The Company has an agreement with Sprint to provide switching and dedicated voice and data services. At expiration or any time prior, the Company can seek to renew all material aspects of the agreement with Sprint. In the event that renewal does not occur, the Company may be able to negotiate equally beneficial terms with other major telecommunications companies. Should neither of these alternatives be possible, there could be material adverse implications for the Company's financial position and operations. Management's experience has been to renegotiate agreements annually to ensure receiving competitive pricing, and management believes the Company will be able to continue to renegotiate the agreements. The current agreement was renegotiated, effective February 1998, and will expire in February 2000.

14. Employee Benefit Plan

The Company sponsors a 401(k) and profit sharing plan (the "Plan") which is open to all eligible employees under the Plan's provisions. The terms of the Plan allow the Company to determine its annual profit sharing contribution. There were no Company contributions to the Plan in 1997 or 1996. The Company's contribution to the Plan in 1995 was \$175.

15. Subsequent Event

On September 3, 1998, NP Corp. (see Note 12) issued 40,000 shares of 13.5% Series A Cumulative Preferred Stock Due 2009 and initial warrants to purchase, for \$.01 per share, 310,000 shares of NP Corp.'s common stock (and contingent warrants to purchase 600,000 shares of common stock) resulting in proceeds to NP Corp. of \$37.5 million, net of issuance costs of \$2.5 million. A total value of \$4.35 million was ascribed to the initial warrants, net of issuance costs of \$0.3 million, and was accounted for as additional paid-in capital. The value ascribed to the initial warrants was recorded as a discount to the preferred stock which will be accreted to the preferred stock balance over an assumed maturity period. Through September 3, 1998, NP Corp.'s activities consist principally of the issuance of its preferred stock and warrants.

The issuance of the preferred stock terminated NP Corp.'s election to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, NP Corp. will provide for and report Federal and state income taxes, if any.

NETWORK PLUS, INC.
BALANCE SHEETS
(in thousands, except share and per share data)
(Unaudited)

| | <u>June 30, 1998</u> | <u>December 31, 1997</u> |
|--|--------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 8,194 | \$ 1,502 |
| Accounts receivable, net of allowance for doubtful accounts of \$403 and \$926, respectively | 15,458 | 16,927 |
| Marketable securities | 66 | 65 |
| Investments | — | 9,500 |
| Prepaid expenses | 1,230 | 415 |
| Other current assets | 142 | 112 |
| Total current assets | 25,090 | 28,521 |
| PROPERTY AND EQUIPMENT, NET | 8,361 | 6,957 |
| OTHER ASSETS | 227 | 103 |
| TOTAL ASSETS | <u>\$33,678</u> | <u>\$35,581</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$17,620 | \$17,445 |
| Accrued liabilities | 2,526 | 2,245 |
| Revolving line of credit | 9,000 | 4,510 |
| Notes payable to stockholders | — | 1,755 |
| Current portion of debt and capital lease obligations | 1,132 | 5,694 |
| Total current liabilities | 30,278 | 31,649 |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS | 3,167 | 3,623 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$.01 par value, 20,000,000 shares authorized, 10,000,000 shares issued and outstanding | 100 | 100 |
| Additional paid-in capital | 183 | 183 |
| Retained earnings (deficit) | (50) | 26 |
| Total stockholders' equity | 233 | 309 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$33,678</u> | <u>\$35,581</u> |

The accompanying notes are an integral part of the unaudited interim financial statements.

NETWORK PLUS, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(in thousands, except share and per share data)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------------|------------------------------|-------------------|
| | 1998 | 1997 | 1998 | 1997 |
| Revenue | \$ 27,103 | \$ 24,641 | \$ 52,305 | \$ 49,381 |
| Direct cost of revenues | 19,992 | 19,330 | 38,828 | 38,440 |
| Gross profit | 7,111 | 5,311 | 13,477 | 10,941 |
| Operating expenses | | | | |
| Selling, general and administrative expenses | 6,391 | 5,440 | 11,935 | 10,567 |
| Depreciation and amortization .. | 483 | 168 | 951 | 324 |
| | <u>6,874</u> | <u>5,608</u> | <u>12,886</u> | <u>10,891</u> |
| Operating income (loss) | 237 | (297) | 591 | 50 |
| Other income (expense) | | | | |
| Interest and dividend income ... | 9 | 38 | 12 | 60 |
| Other income, net | 16 | 20 | 37 | 37 |
| Interest expense | (293) | (93) | (578) | (177) |
| | <u>(268)</u> | <u>(35)</u> | <u>(529)</u> | <u>(80)</u> |
| Income (loss) before state income taxes | (31) | (332) | 62 | (30) |
| Provision for state income taxes .. | 125 | — | 134 | 25 |
| Net loss | <u>\$ (156)</u> | <u>\$ (332)</u> | <u>\$ (72)</u> | <u>\$ (55)</u> |
| Retained earnings, beginning | 106 | 3,808 | 26 | 3,818 |
| Distributions to stockholders | — | — | (4) | (299) |
| Retained earnings (deficit), ending | <u>\$ (50)</u> | <u>\$ 3,476</u> | <u>\$ (50)</u> | <u>\$ 3,464</u> |
| Net loss per share — basic and diluted | <u>\$ (.02)</u> | <u>\$ (.03)</u> | <u>\$ (.01)</u> | <u>\$ (.01)</u> |
| Weighted average shares outstanding | <u>10,000,000</u> | <u>10,000,000</u> | <u>10,000,000</u> | <u>10,000,000</u> |

The accompanying notes are an integral part of the unaudited interim financial statements.

NETWORK PLUS, INC.
STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

| | Six Months Ended June 30, | |
|--|------------------------------|-----------------|
| | 1998 | 1997 |
| Cash flows from operating activities: | | |
| Net loss | \$ (72) | \$ (55) |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 951 | 324 |
| (Gain) loss on disposal of fixed assets | (8) | — |
| Exercise of Tel-Save common stock warrants | — | (3,570) |
| Refund of exercise price of Tel-Save common stock warrants | 1,470 | — |
| Sale of Tel-Save common stock | 8,030 | — |
| Provision for losses on accounts receivable | 729 | 639 |
| (Increase) decrease in assets: | | |
| Accounts receivable | 740 | (1,881) |
| Prepaid expenses | (815) | (61) |
| Other current assets | (30) | 23 |
| Other long-term assets | (124) | (28) |
| (Decrease) increase in liabilities: | | |
| Accounts payable | 175 | 3,822 |
| Accrued liabilities | 281 | (333) |
| Net cash provided by (used for) operating activities | 11,327 | (1,120) |
| Cash flows from investing activities: | | |
| Proceeds from disposal of fixed assets | 17 | — |
| Capital expenditures | (2,364) | (1,605) |
| Purchase of marketable securities | (1) | (1) |
| Net cash used for investing activities | (2,348) | (1,606) |
| Cash flows from financing activities: | | |
| Net proceeds from line of credit | 4,490 | 3,000 |
| Payments on debt and capital lease obligations | (6,773) | (99) |
| Distributions to stockholders | (4) | (299) |
| Net cash provided by (used for) financing activities | (2,287) | 2,602 |
| Net increase (decrease) in cash | 6,692 | (124) |
| Cash at beginning of period | 1,502 | 2,241 |
| Cash at end of period | <u>\$ 8,194</u> | <u>\$ 2,117</u> |

The accompanying notes are an integral part of the unaudited interim financial statements.

NETWORK PLUS, INC.
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
(in thousands, except per share data)

1. Basis of Presentation

The accompanying Unaudited Interim Financial Statements of Network Plus, Inc. (the "Company"), a wholly owned subsidiary of Network Plus Corp., have been prepared in conformity with generally accepted accounting principles and, in the opinion of management, include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results for the interim periods. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the year.

These unaudited interim financial statements should be read in conjunction with the financial statements and related notes in the Company's annual audited Financial Statements. The balance sheet as of December 31, 1997 has been derived from the audited financial statements as of that date.

Certain amounts in the financial statements for the prior year have been reclassified to conform with the current year presentation. Such reclassifications had no effect on previously reported results of operations.

2. Related Party Transactions

In December 1997, the Company's stockholders issued the Company loans totaling \$1,755. The loans were repaid on May 1, 1998.

The Company had a service arrangement through May 1997 with a marketing company, the shareholders of which have a controlling interest in the Company. The marketing company provided services relative to establishing, training and expanding the Company's sales organization. During the six months ended June 30, 1997, \$55 was paid to the marketing company.

Office space, located in Quincy, MA, is leased from a trust, the beneficiaries of which are stockholders of the Company. The Company makes monthly rental payments of \$36. In each of the six-month periods ended June 30, 1998 and 1997, \$216 was paid to the trust.

3. Property and Equipment

| | June 30, 1998 | December 31, 1997 |
|--|------------------|----------------------|
| Switching equipment..... | \$ 6,160 | \$ 4,004 |
| Computer equipment | 2,811 | 2,756 |
| Office furniture and equipment..... | 1,292 | 1,272 |
| Purchased software | 725 | 694 |
| Motor vehicles | 201 | 174 |
| Leasehold improvements..... | 184 | 130 |
| | 11,373 | 9,030 |
| Less accumulated depreciation and amortization | (3,012) | (2,073) |
| | <u>\$ 8,361</u> | <u>\$ 6,957</u> |

In August 1997, upon review of the Company's experience and expectations for upgrades and replacement of equipment, the Company changed the estimated useful life of its switching equipment from 12 years to 5 years. Depreciation expense in the six months ended June 30, 1997 was approximately \$76 less than what would have otherwise been reported had the change been previously made.

NETWORK PLUS, INC.
NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS — (Continued)
(in thousands, except per share data)

4. Accrued Liabilities

Accrued liabilities consist of the following:

| | June 30, 1998 | December 31, 1997 |
|--|------------------|----------------------|
| Accrued interest | \$ 83 | \$ 60 |
| Accrued salaries, wages, commissions and related taxes | 552 | 297 |
| Customer deposits | 159 | 361 |
| Accrued income and franchise taxes | 684 | 766 |
| Accrued taxes other than income and franchise | 331 | 238 |
| Accrued agency commissions | 440 | 340 |
| Other accrued liabilities | 277 | 183 |
| | <u>\$2,526</u> | <u>\$2,245</u> |

5. Revolving Credit Agreements

The Company had a revolving line of credit with Fleet National Bank ("Fleet") for borrowings up to \$7,000 including letters of credit, which was terminated on May 1, 1998 upon entering into a new revolving credit agreement, described below. At June 30, 1998, cash borrowings under the new revolving credit agreement totaled \$9,000 and letters of credit issued in the ordinary course of business totaled \$1,020. At December 31, 1997, cash borrowings under the new revolving credit agreement totaled \$4,510 and letters of credit totaled \$120. The interest rate on such borrowings was 7.4% at June 30, 1998 and 8.5% at December 31, 1997.

On May 1, 1998, the Company entered into a new revolving credit agreement with Fleet, which allows for up to \$23,000 of borrowings, based upon a percentage of accounts receivable. The new agreement has a term of three years. Interest is payable monthly at Fleet's prime rate or available LIBOR options. The revolving credit agreement requires the Company to meet certain gross margin, operating income and tangible net worth covenants.

On August 14, 1998, the Company entered into a commitment letter with Goldman Sachs Credit Partners, L.P. for a \$60,000 revolving credit facility (the "GSCP Facility"), concurrent with the closing of which the Company expects to terminate the Fleet agreement. The GSCP Facility will have a term of 18 months. Under the GSCP Facility, \$30,000 will be available upon closing and up to an additional \$30,000 will be available based upon a percentage of accounts receivable. Interest is payable monthly at one percent above the prime rate. The GSCP Facility will require the Company to meet, among other things, minimum levels of revenues, access lines in service and earnings before interest, taxes, depreciation and amortization.

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



REC'D TN
REGULATORY AUTH.

'93 SEP 23 PM 2 05

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

NOTICE OF HEARING TIME CHANGE

DOCKET: 98-00581
PETITIONER: NETWORK PLUS, INC.
PETITIONER'S ATTORNEY: Kathleen L. Greenan
IN RE: Application of Network Plus, Inc. For a Certificate
of Public Convenience and Necessity as a Competing
Telecommunications Service Provider
DATE: September 23, 1998

Pursuant to T.C.A. §65-4-201 et seq., the Authority has scheduled a **Hearing** in the above-captioned proceeding for **Tuesday, October 27, 1998, at 2:00PM**, in the Hearing Room on the Ground Floor at 460 James Robertson Parkway, Nashville, TN.

This Hearing will be conducted in accordance with the Tennessee Uniform Administrative Procedures Act, T.C.A. §4-5-101 et seq. All parties are entitled to be represented by counsel.

Any motion to change the date of this hearing must be made in writing, and filed with the office of the Executive Secretary of the Authority, and directed to the Chairman of the Authority. Copies of the motion must be served on all parties.

Participants with disabilities who require special accommodations or alternate communications formats should contact the Tennessee Regulatory Authority ADA-EEO/AA Coordinator/Officer, 460 James Robertson Parkway, Nashville, Tennessee 37243-0505, 1-800-342-8359 or TDD 741-3930 so that reasonable accommodations can be made.

FOR THE TENNESSEE REGULATORY AUTHORITY:

K. David Waddell, Executive Secretary

cc: Parties of Record
Interested Parties

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

3000 K STREET, NW, SUITE 300
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REGULATORY AUTH.

08 SEP 23 PM 3 02

FACSIMILE TRANSMITTAL

OFFICE OF THE
EXECUTIVE SECRETARY

Today's Date: September 23, 1998

Time: 12:36PM

TRANSMITTAL TO:

Individual: Darrell Whitis
Company Name: Tennessee Regulatory Authority
Direct Phone #: 615-741-2904 ext. 132
Fax/Telecopier #: 615-741-2336

98-00581

Total # of Pages: 5 (including cover page)

TRANSMITTAL FROM:

Individual: Kathleen Greenan
Direct Phone #: 202-945-6922
Attorney Code: 645
Billing Code: 5200.01

Message:

Attached is a copy of Notice of Service. If the Commission requires a formal filing, please inform us and we will submit the filing accordingly.

If there is a problem with this transmission, it is important that you notify:

Name: Tina Snoddy

Phone #: 202-424-7752

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SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

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VIA FIRST CLASS MAIL

TO: Carriers Operating in the State of Tennessee

FROM: Kathleen Greenan
Counsel for Network Plus, Inc.

DATE: September 22, 1998

RE: Application of Network Plus for a Certificate of Convenience and Necessity to
Provide Local Exchange Telecommunications Services Throughout the State of
Tennessee

NOTICE OF FILING

This is to notify you that the above-referenced telecommunications application was filed with the Tennessee Regulatory Authority on August 19, 1998. A copy of the application may be obtained from the Authority.

CERTIFICATE OF SERVICE

I, Kathleen L. Greenan, do hereby certify that a copy of the foregoing notice was served via first class U.S. Mail on the parties listed below on this 22nd day of September 1998.

BellSouth Telecommunications, Inc.
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Nashville, TN 37201-3300

Sprint-United
Steve Parrott
Director-Regulatory Affairs
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of Tennessee
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Skyline Telephone Membership Corp.
P.O. Box 759
West Jefferson, NC 28694-0759

Twin Lakes Telephone Coop.
P.O. Box 67
Gainesboro, TN 38562

West Kentucky Rural Telephone Coop.
P.O. Box 649
Mayfield, KY 42066-0649

Yorkville Telephone Coop.
P.O. Box 8
Yorkville, TN 38389

American Communications Services, Inc.
131 National Business Parkway, Suite 100
Annapolis Junction, MD 20701

ATS of Tennessee, Inc.
3915 Mendenhall Road South
Memphis, TN 38115

AT&T
511 Union Street, Suite 1010
Nashville, TN 37219

Brooks Fiber Communications
of TN, Inc.
800 South Gay Street
Suite 1800
Knoxville, TN 37924

BTI Communications, Inc.
4200 Six Forks Road
P.O. Box 150002
Raleigh, NC 27624

Comm. Depot, Inc.
889 Bendik Drive
Jackson, TN 38301

DeltaCom, Inc.
P.O. Box 1233
Arab, AL 35016

GTE Communications Corp.
1200 Walnut Hill Lane
Irving, TX 75038

Hyperion of TN, Inc.
222 Second Avenue North
Washington Square-Suite 422
Nashville, TN 37219

ICG Telecom Group, Inc.
2100 West End Avenue, Suite 620
Nashville, TN 37203

Intermedia Communications
3625 Queen Palm Drive
Tampa, FL 33619-1309

LCI International Telecom Corp.
8180 Greensboro Drive, Suite 800
McLean, VA 22102

MCI Telecommunications Corp.
780 Johnston Ferry Road, Ste 700
Atlanta, GA 30342

MFS Communications Company, Inc.
One Tower Lane, Suite 1600
Oakbrooke Terrace, IL 60181

New South Communications, LLC
355 Woodruff Road
Greenville, SC 29607

NEXTLINK Tennessee
105 Molloy Street, Suite 300
Nashville, TN 37201

SouthEast Telephone LTD
317 Main Street, 4th Floor
Pikeville, KY 41501

Sprint Communications Company
3100 Cumberland Circle
Mailstop: GAATLN0802
Atlanta, GA 30339

TCG MidSouth
49 Music Square West
Suite 200
Nashville, TN 37203

Teligent, Inc.
8065 Leesburg Pike, Suite 400
Vienna, VA 22182

Time Warner
P.O. Box 210706
Nashville, TN 37221

US LEC of Tennessee
212 Tryon Street, Suite 1540
Charlotte, NC 228281

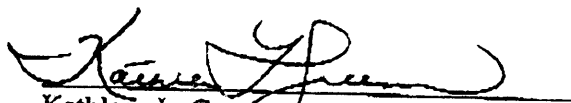
Logix Communications Corporation
13429 N. Broadway Extension, Suite 200
Oklahoma City, OK 73114

US West Interprise America, Inc.
1999 Broadway, Suite 700
Denver, CO 80202

MFS Intelnet of Tennessee, Inc.
515 East Amite Street, 4th Floor
Jackson, MS 39201

WinStar Communications of TN, Inc.
7799 Leesburg Pike
Suite 401 South
Tyson's Corner, VA 22043

WorldCom Technologies (LDDS)
Claire Daily, Director Legislative &
Regulatory Affairs
201 Energy Parkway, Suite 200
Lafayette, LA 70508


Kathleen L. Greenan

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



REC'D TN
REGULATORY AUTH.

98 SEP 8 AM 11 27

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

EXECUTIVE SECRETARY

RE-NOTICE OF HEARING

DOCKET: 98-00581
PETITIONER: NETWORK PLUS, INC.
PETITIONER'S ATTORNEY: Kathleen L. Greenan
IN RE: Application of Network Plus, Inc. For a Certificate
of Public Convenience and Necessity as a Competing
Telecommunications Service Provider
DATE: September 8, 1998

Pursuant to T.C.A. §65-4-201 et seq., the Authority has scheduled a **Hearing** in the above-captioned proceeding for **Tuesday, October 27, 1998, at 1:00PM**, in the Hearing Room on the Ground Floor at 460 James Robertson Parkway, Nashville, TN.

This Hearing will be conducted in accordance with the Tennessee Uniform Administrative Procedures Act, T.C.A. §4-5-101 et seq. All parties are entitled to be represented by counsel.

Any motion to change the date of this hearing must be made in writing, and filed with the office of the Executive Secretary of the Authority, and directed to the Chairman of the Authority. Copies of the motion must be served on all parties.

Participants with disabilities who require special accommodations or alternate communications formats should contact the Tennessee Regulatory Authority ADA-EEO/AA Coordinator/Officer, 460 James Robertson Parkway, Nashville, Tennessee 37243-0505, 1-800-342-8359 or TDD 741-3930 so that reasonable accommodations can be made.

FOR THE TENNESSEE REGULATORY AUTHORITY:

K. David Waddell, Executive Secretary

cc: Parties of Record
Interested Parties

SWIDLER BERLIN SHEREFF F. EDMAN, LLP

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KATHLEEN L. GREENAN
ATTORNEY
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'98 SEP 8 PM 3 10

August 24, 1998
EXECUTIVE SECRETARY

VIA FACSIMILE

Mr. Darrell Whitis
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

98-00581

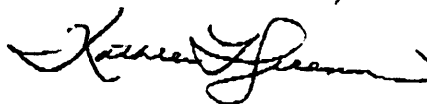
Re: Petition of Network Plus, Inc.

Dear Mr. Whitis:

This letter is in regard to the Petition of Network Plus, Inc. for a Certificate of Public Convenience and Necessity to provide public facilities-based and resold local exchange telecommunications services throughout the state of Tennessee. Pursuant to your request, Network Plus, Inc. hereby waives the requirement, under Tennessee Code §65-4-201(c)(2), that an order be entered by the Tennessee Regulatory Authority ("Authority") no more than sixty (60) days from the filing of the Petition for Certification.

We understand that additional time is necessary to review the above mentioned Petition and that the Authority will proceed as expeditiously as possible in processing Network Plus' Petition. Should you have any questions regarding, please do not hesitate to contact the undersigned.

Respectfully submitted,



Kathleen L. Greenan

cc: James J. Crowley, Esq.

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

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'98 SEP 8 PM 3 10

CLERK OF THE
September 2, 1998 SECRETARY

98-00581

VIA FACSIMILEMr. Darrell Whitis
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505Re: Petition of Network Plus, Inc.

Dear Mr. Whitis:

As you requested, attached please find additional information regarding Network Plus' management team. This document is intended to supplement the Petition of Network Plus, Inc. for a Certificate of Public Convenience and Necessity to provide public facilities-based and resold local exchange telecommunications services throughout the State of Tennessee.

Should you have any questions regarding the attached documents, please do not hesitate to contact the undersigned.

Respectfully submitted,



Kathleen L. Greenan

cc: Ms. Lisa Korner

MANAGEMENT

As discussed in Exhibit 3 of its Petition, Network Plus has a management team with excellent credentials and experience in the telecommunications industry. This management team has been successful in operating an advanced telecommunications network combining resale, facility and enhanced components.

The Company has recently hired the following employees, who provide the Company with significant expertise in the design, development and provisioning of local telecommunications services and networks:

Michael F. Oyster

Michael F. Oyster has joined Network Plus as President of the Local Services Division. Mr. Oyster has 22 years of experience in the telecommunications industry, including local services, long distance services, and voice and data equipment. Most recently, Mr. Oyster was the Regional Vice President and General Manager of Teleport Communications Group ("TCG") in New York.

Joseph Haines

Joseph Haines has joined Network Plus as Vice President of Local Operations and will be responsible for the design, engineering and implementation of the Company's local service offering. From 1992 to 1998, Mr. Haines held various positions with TCG, most recently as Regional Vice President of Operations for TCG's largest network. In that position, Mr. Haines was responsible for constructing and deploying network transmission and switching facilities. Mr. Haines developed and managed TCG's national network management center, supervising TCG's network of switches and multiplexing equipment.

Lisa Korner

Lisa Korner has joined Network Plus as Director of New Market Development, and will be responsible for market analysis territory development planning and regulatory/LEC implementation. From 1989 to 1998, Ms. Korner held various positions with TCG, most recently as Sales Director responsible for all sales to general business customers in New York and also as Manager of the independent sales channel consisting of over 50 agents.

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(202) 424-7645 (telecopier/fax#) - 4th Floor

FACSIMILE TRANSMITTAL

Today's Date: September 2, 1998

Time:

TRANSMITTAL TO:

Individual: Darrell Whitis
Company Name: Tennessee Regulatory Authority
Direct Phone #: 615-741-2904, ext. 132
Fax/Telecopier #: 615-741-2336

Total # of Pages: 3 (including cover page)

TRANSMITTAL FROM:

Individual: Kathleen L. Greenan
Direct Phone #: 202-424-6922
Attorney Code:
Billing Code: 5200.01

Message:

If there is a problem with this transmission, it is important that you notify:

Name: Wendy Mills

Phone #: 202-945-6927

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AUTH.

'98 SEP 8 PM 3 10

FACSIMILE TRANSMITTAL

Today's Date: August 27, 1998

EXECUTIVE SECRETARY Time: 5:00PM

TRANSMITTAL TO:

Individual: Darrell Whitis
Company Name: Tennessee Regulatory Authority
Direct Phone #: 615-741-2904, ext. 132
Fax/Telecopier #: 615-741-2336

Total # of Pages: _____ (including cover page)

TRANSMITTAL FROM:

Individual: Kathleen L. Greenan
Direct Phone #: 202-424-6922
Attorney Code: (202) 424-6922
Billing Code: 5200.01

Message:

Please see attached.

If there is a problem with this transmission, it is important that you notify:

Name: Tina Snoddy

Phone #: 202-424-7752

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NEW YORK, NY 10022-9998
(212) 758-9500 FAX (212) 758-9526

August 27, 1998

VIA FACSIMILE

Mr. Darrell Whitis
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

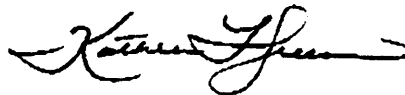
Re: **Petition of Network Plus, Inc.**

Dear Mr. Whitis:

As you requested, attached please find the Small and Minority Owned Telecommunications Business Participation Plan and a description of Network Plus' technical qualifications. These documents are intended to supplement the Petition of Network Plus, Inc. for a Certificate of Public Convenience and Necessity to provide public facilities-based and resold local exchange telecommunications services throughout the State of Tennessee.

Should you have any questions regarding the attached documents, please do not hesitate to contact the undersigned.

Respectfully submitted,



Kathleen L. Greenan

cc: James J. Crowley, Esq.

TECHNICAL QUALIFICATIONS

Network Plus has garnered extensive telecommunications experience over the past eight years of successful operations. Network Plus, founded in 1990, is a leading telecommunications carrier offering switched long distance, data and enhanced telecommunications services throughout the United States and internationally. The Company has also been providing local service in Massachusetts on a test basis and plans to provide such service on a commercial basis in September of this year. Network Plus' eight years of successful operating history establishes its extensive experience in providing both resale and facilities based telecommunications.

The Company began its operations as a reseller in 1990 and since then has started deploying facilities in certain areas throughout the United States. The Company currently operates an advanced telecommunications network that includes two Nortel switches. Network Plus has maintained an Operations Center in Quincy, Massachusetts to monitor its network, which increases reliability, security and efficiency. In the Company's experience, carrying traffic over its own network provides the Company greater control over its network operations allowing Network Plus to better serve the unique needs of its customers.

Network Plus' local service in Tennessee will be provisioned either through resale of BellSouth's network, on Network Plus' own network, or a combination of both. Network Plus' network will initially consist of a combination of its switching network and unbundled network element and/or other facilities (e.g. T1s) purchased from an alternative carrier. The Company is still evaluating various network configurations, but expects to deploy a local switching network shortly after obtaining authority from the Tennessee Regulatory Authority and executing an interconnection agreement with the incumbent local exchange carrier.

As discussed in Exhibit 3 of its Petition, Network Plus has a management team with excellent credentials and experience in the telecommunications industry. This management team has been successful in operating an advanced telecommunications network combining resale, facility and enhanced components. The management team continually develops plans for improving the network and providing innovative services to its customers.

SMALL AND MINORITY OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION OF NETWORK PLUS, INC.

Policy Statement

Network Plus, Inc. (Network Plus) acknowledges the importance of supporting the participation of small and minority owned telecommunications businesses in the telecommunications industry and the overall general business participation in the Tennessee telecommunications business operations. It is the policy of Network Plus to provide small and minority owned telecommunications businesses an opportunity to compete for contracts and subcontracts for goods and services to Network Plus. Network Plus is committed to the identification and selection of qualified small and minority owned telecommunications businesses in this respect.

Further, with respect to its Tennessee business operations, it is the policy of Network Plus to provide information on programs, if any, to provide technical assistance to small and minority owned telecommunications businesses when and where available in Tennessee.

Network Plus acknowledges its obligation to contribute its share to the fund established by the Department of Economic and Community Development in accordance with Section 16 of Chapter 408 of the Public Acts of 1995 (the "Act") for the purpose of funding the Small and Minority Owned Telecommunications Business Assistance Program, which provides for loan guarantees, education services, and technical assistance and services.

Definitions

"Act" - Section 16 and 17 of Chapter 408 of the Public Acts of 1995.

"Network Plus, Inc." or "Network Plus", a Massachusetts corporation and wholly-owned subsidiary of Network Plus Corp., with administrative offices located at 234 Copeland Street, Quincy, MA 02169; telephone number is 617-786-4000 and the facsimile number is 617-786-8406.

"Minority Owned Telecommunications Business" - a telecommunications business which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and the daily operations of such business, and who is impeded from normal entry into economic mainstream because of race, religion, sex or national origin and such business has an annual gross receipts of less than four million dollars (\$4,000,000), or as otherwise modified or amended in the future by the legislature for the State of Tennessee:

- a) "Personally Manages" in this context shall mean actively involved in the day-to-day management.
- b) "Controls" in this context shall mean exercising the power to make policy decisions.

- c) "Who is impeded from normal entry" in this context shall mean individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their qualities as individuals and as provided in the regulation implementing Section B(a) and 7(j) of the Small Business Act, as amended by the Business Opportunity Development Reform Act of 1988, and Business Opportunity Development Reform Act Technical Corrections Act, (15 U.S.C. 67(a) and 636(j)), as amended by Pub. L. 100-656 and Pub. L. 101-37.

"Small Telecommunications Business" - A telecommunications company with annual gross receipts of less than four million dollars (\$4,000,000), or as otherwise modified or amended in the future by the legislature for the State of Tennessee.

"Subcontract" - Any agreement (other than one involving an employer-employee relationship) entered into by Network Plus with a non-affiliated company or individual calling for the direct or indirect purchase of raw materials, components, supplies and services needed to support Network Plus' operations.

Goals

The goals of Network Plus' Small and Minority Owned Telecommunications Business Participation Plan ("Plan") is to identify small and minority owned telecommunications businesses that are qualified to provide goods and services and to promote awareness among these businesses of the opportunities to develop business relationships with Network Plus.

Plan Implementation

When appropriate, Network Plus will invite bids, issue reports for proposals, or otherwise solicit offers from small and minority owned telecommunications businesses, except in the case of emergencies, or in cases where Network Plus is bound by contract to purchase goods and services from other sources, to furnish specified goods or services to Network Plus in furtherance of its Tennessee operations.

Plan Administration

In conducting its business affairs in Tennessee, Network Plus will appoint one of its employees as the Administrator of the Plan. The Administrator will be responsible for obtaining and utilizing available resources for identifying small telecommunications business and minority owned telecommunications businesses interested and qualified in furnishing goods and services to Network Plus and to cultivate an awareness among such businesses as to any opportunities to develop business relations with Network Plus. The Administrator will also serve as resource for technical assistance to small telecommunications businesses and minority owned telecommunications business and will refer such businesses to sources of information and other technical assistance.

Plan Administrator

The administration of this Plan will be under the direction of (hereinafter called the "Administrator"):

Ms. Lisa Korner
Director of New Market Development
234 Copeland Street
Quincy, Massachusetts 02169

Telephone: 800-552-5254
Facsimile 617-786-8406

The duties of the Administrator are, among other things:

1. To develop policies and procedures to assure success of the Plan
2. To maintain a current Plan acceptable to the Tennessee Regulatory Authority.
3. To conduct certification surveys as to the status of suppliers.
4. To establish and maintain a database and records in support of the Plan pursuant to the requirements of the Tennessee Regulatory Authority.
5. To search diligently for qualified small and minority owned telecommunications businesses and concerns through:
 - a. The Small Business Administration's Procurement Automated Source System (PASS), and publications of the Office of Minority Business Data Center in the Department of Commerce and the Office of Minority Small Business and Capital Ownership Development in the Small Business Administration.
 - b. Local and national associations and Minority Supplier Development councils.
 - c. Participation in trade fairs and industry meetings.
 - d. Advertisement in industry and local publications.
6. To prepare and submit such forms and information as may be required by the Tennessee Regulatory Authority.

7. Maintain liaison and cooperation with the Tennessee Regulatory Authority, and other agencies of the State of Tennessee to find and utilize qualified business concerns defined herein.
8. To support activities for assisting buyers in locating and qualifying the business concerns defined herein.
9. To provide required records and reports and cooperate in any authorized surveys by the Tennessee Regulatory Authority.

Compliance Reports

Network Plus will submit reports, as may be required, for use in connection with subcontracting plans by the Tennessee Regulatory Authority and/or the State of Tennessee. Network Plus will cooperate fully with all reasonable and appropriate surveys or studies required by the contracting agency in determining program compliance. However, Network Plus reserves the right to designate documents, reports, surveys and/or studies as "confidential" or "proprietary."

Record Maintenance

Network Plus will maintain records relating to Network Plus' Small and Minority Owned Telecommunications Business Participation Plan for the purpose of evidencing the implementation of this policy, for use by Network Plus in evaluating the effectiveness of the Plan and in obtaining the goals of the Plan, and for use in updating the Plan on an annual basis with the Tennessee Regulatory Authority, or as otherwise required.

ADOPTED THIS 27 day of August, 1998.

Network Plus, Inc.

By: 

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

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REC'D - 100581
REGULATORY AUTH.

'98 SEP 8 PM 1 24

FACSIMILE TRANSMITTAL

EXECUTIVE SECRETARY

Today's Date: September 4, 1998

Time:

TRANSMITTAL TO:

Individual: Darrell Whitis
Company Name: Tennessee Regulatory Authority
Direct Phone #: 615-741-2904, ext. 132
Fax/Telecopier #: 615-741-2336

Total # of Pages: 3 (including cover page)

TRANSMITTAL FROM:

Individual: Kathleen L. Greenan
Direct Phone #: 202-424-6922
Attorney Code:
Billing Code: 5200.01

Message:

If there is a problem with this transmission, it is important that you notify:

Name: Tina Snoddy

Phone #: 202-424-7752

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September 4, 1998

VIA FACSIMILE

Mr. Darrell Whitis
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505


Re: Petition of Network Plus, Inc.

Dear Mr. Whitis:

As discussed, Network Plus tentatively plans to deploy a Class 5 local switch, and NEBS compliant transmission gear in Tennessee in 1999. The Company is still evaluating various network configurations, but expects to install equipment such as the Nortel DMS250 or Lucent 5ESS, and either Nortel or Lucent OC48 systems. The Company would be happy to provide additional detail to the Authority (should such information be required), once the specific technical plans are developed.

Should you have any additional questions, please do not hesitate to contact me.

Respectfully submitted,



Kathleen L. Greenan

cc: Ms. Lisa Korner

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September 4, 1998

VIA FACSIMILE

Mr. Darrell Whitis
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

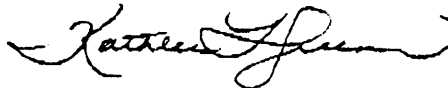
Re: Docket No. 98-00581 -- Application of Network Plus, Inc. For a Certificate of Public Convenience and Necessity as a Competing Telecommunications Service Provider

Dear Mr. Whitis:

On August 24, 1998, the Tennessee Regulatory Authority released a notice of hearing in the above referenced matter. Unfortunately, the Company representative will be out of the country on September 22, 1998, the currently scheduled hearing date. On behalf of Network Plus, Inc., I respectfully request that this hearing be rescheduled for a date after September 25, 1998. If a formal motion, or any other procedural action is required, please let me know.

Should you have any questions, please do not hesitate to contact me.

Respectfully submitted,



Kathleen L. Greenan

cc: Ms. Lisa Komer

TENNESSEE REGULATORY AUTHORITY

Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



REC'D IN
REGULATORY AUTH.

AUG 24 PM 4 31

THE
EXECUTIVE SECRETARY

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

NOTICE OF HEARING

DOCKET: 98-00581
PETITIONER: NETWORK PLUS, INC.
PETITIONER'S ATTORNEY: Kathleen L. Greenan
IN RE: Application of Network Plus, Inc. For a Certificate
of Public Convenience and Necessity as a Competing
Telecommunications Service Provider
DATE: August 24, 1998

Pursuant to T.C.A. §65-4-201 et seq., the Authority has scheduled a **Hearing** in the above-captioned proceeding for **September 22, 1998, at 10:30AM**, in the Hearing Room on the Ground Floor at 460 James Robertson Parkway, Nashville, TN.

This Hearing will be conducted in accordance with the Tennessee Uniform Administrative Procedures Act, T.C.A. §4-5-101 et seq. All parties are entitled to be represented by counsel.

Any motion to change the date of this hearing must be made in writing, and filed with the office of the Executive Secretary of the Authority, and directed to the Chairman of the Authority. Copies of the motion must be served on all parties.

Participants with disabilities who require special accommodations or alternate communications formats should contact the Tennessee Regulatory Authority ADA-EEO/AA Coordinator/Officer, 460 James Robertson Parkway, Nashville, Tennessee 37243-0505, 1-800-342-8359 or TDD 741-3930 so that reasonable accommodations can be made.

FOR THE TENNESSEE REGULATORY AUTHORITY:

K. David Waddell, Executive Secretary

cc: Parties of Record
Interested Parties

KATHLEEN L. GREENAN
ATTORNEY-AT-LAW

98-20581
SWIDLER
&
BERLIN

CHARTERED

REC'D TN
REGULATORY AUTH.

COPY

DIRECT DIAL
(202)945-6922
KLGREENAN@SWIDLAW.COM

JUL 19 1998 PM 4 10

July 17, 1998

THE
SECRETARY

VIA OVERNIGHT DELIVERY

K. David Waddell, Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: Petition of Network Plus, Inc.

Dear Mr. Waddell:

Enclosed for filing on behalf of Network Plus, Inc. ("Network Plus") are an original and eight (8) copies of Network Plus' Petition for a Certificate of Public Convenience and Necessity to Provide Public Facilities-Based and Resold Local Exchange Telecommunications Services throughout the State of Tennessee. Also enclosed is a check in the amount \$50.00 in payment of the requisite filing fee.

Please date stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided. Should any questions arise concerning this filing, please do not hesitate to contact the undersigned.

Respectfully submitted,



Kathleen L. Greenan

Counsel for Network Plus, Inc.

Enclosure

cc: James J. Crowley, Esq.
Phyllis A. Whitten, Esq. (w/o encl.)

244912.1

KATHLEEN L. GREENAN
ATTORNEY-AT-LAW

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&
BERLIN
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DIRECT DIAL
(202)945-6922
KLGREENAN@SWIDLAW.COM

July 17, 1998

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JUL 20 1997

VIA OVERNIGHT DELIVERY

K. David Waddell, Executive Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

TN REGULATORY AUTHORITY

DR

Re: Petition of Network Plus, Inc.

Dear Mr. Waddell:

Enclosed for filing on behalf of Network Plus, Inc. ("Network Plus") are an original and eight (8) copies of Network Plus' Petition for a Certificate of Public Convenience and Necessity to Provide Public Facilities-Based and Resold Local Exchange Telecommunications Services throughout the State of Tennessee. Also enclosed is a check in the amount \$50.00 in payment of the requisite filing fee.

Please date stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided. Should any questions arise concerning this filing, please do not hesitate to contact the undersigned.

Respectfully submitted,



Kathleen L. Greenan

Counsel for Network Plus, Inc.

Enclosure

cc: James J. Crowley, Esq.
Phyllis A. Whitten, Esq. (w/o encl.)

244912.1

VC: 777-100952
0066740 CEC: 281.03
50.00
7/21/98

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

In the Matter of the Petition of)
)
Network Plus, Inc.)
)
for a Certificate of Public Convenience and)
Necessity to Provide Public Facilities-Based)
and Resold Local Exchange Telecommunications)
Services Throughout the State of Tennessee)

Docket No. 98-00 581

PETITION

I. INTRODUCTION

Pursuant to the provisions of T.C.A. §§ 65-4-201, Administrative Rules Chapter 1220-4-8, and the Federal Telecommunications Act of 1996 ("Federal Act" or "Act"), 47 U.S.C. § 251 *et seq.*, Network Plus, Inc. ("Network Plus" or "Petitioner") hereby files this Petition for a Certificate of Convenience and Necessity to provide facilities-based and resold local exchange telecommunications services throughout the state of Tennessee.

Consistent with the objectives of the Federal Act, the Tennessee Regulatory Authority ("Authority") has adopted a policy favoring competition in all telecommunications markets, recognizing that it is in the public interest to develop effective competition to ensure that all consumers, residential and business, will have access to high quality, low-cost, and innovative telecommunications services, regardless of the chosen service provider. In support of its Petition, Network Plus provides the following information:

II. DESCRIPTION OF THE APPLICANT

1. Petitioner's legal name is Network Plus, Inc. ("Network Plus"). Applicant maintains its principal place of business at:

234 Copeland Street
Quincy, Massachusetts 02169
617/786-4000 (Tel)
617/786-8406 (Fax)

2. All correspondence, notices, inquiries or other communications pertaining to this Petition should be addressed to:

Andrew D. Lipman, Esq.
Kathleen L. Greenan, Esq.
Swidler & Berlin, Chartered
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
202/945-6922 (Tel)
202/424-7645 (Fax)

3. Questions concerning the ongoing operations of Network Plus following certification should be directed to:

James J. Crowley
Executive Vice President
Network Plus, Inc.
234 Copeland Street
Quincy, Massachusetts 02169
617/786-4000 (Tel.)
617/786-8406 (Fax)

4. Network's principal officers are:

| Name | Positions |
|-----------------------|--|
| Robert T. Hale | Chairman of the Board of Directors |
| Robert T. Hale, Jr. | Chief Executive Officer, President and Director |
| James J. Crowley | Executive Vice President, Secretary and Director |
| Steven L. Shapiro | Treasurer, Chief Financial Officer and Vice President of Finance |
| Kevin B. McConnaughey | Vice President and General Manager of International Services |
| Steven Stanfill | Vice President of Network Services |

The business address for each of the above is:

234 Copeland Street
Quincy, Massachusetts 02169
617/786-4000 (Tel)
617/786-8406 (Fax)

5. While Network Plus does not have corporate offices in Tennessee at this time, Network Plus may open offices in Tennessee in the future.

6. Network Plus will maintain the following toll-free customer service telephone number: 1-800/225-5089.

7. The Petitioner is a Massachusetts corporation in good standing and qualified to do business in the State of Tennessee. A copy of Network's Articles of Organization and Certificate of Authority to Transact Business in Tennessee are attached hereto as Exhibit 1.

8. Network Plus is financially qualified to provide facilities-based and resold local exchange telecommunications services in Tennessee. Network Plus has access to the capital necessary to conduct its telecommunications operations as specified in this Petition. Network Plus will rely upon the existing personnel, technological and financial resources to provide facilities-based resold local exchange services. No additional investment will be needed to offer the proposed

services. In demonstration of its financial qualifications to provide the proposed services, Network Plus has attached hereto as Exhibit 2 a copy of its financial statements for the quarterly period ended March 31, 1998.

9. Network Plus is managerially qualified to provide resold and facilities-based local exchange telecommunications services in Tennessee. Network Plus has acquired extensive experience in providing a variety of telecommunications services to customers, and has developed a management team with excellent credentials and experience in the telecommunications industry. A summary of the managerial experience of Network's key personnel is attached hereto as Exhibit 3.

10. Network Plus is technically qualified to provide facilities-based and resold local exchange telecommunications services in Tennessee. The Petitioner has an excellent Network operations team, all of whom have extensive experience in developing and operating state-of-the-art telecommunications infrastructures. Network Plus is successfully providing a wide range of telecommunications services in numerous states. Network Plus is authorized by virtue of certification, registration, or on an unregulated basis to provide intrastate interexchange telecommunications services in forty-nine (49) states. Network Plus is currently (or will be) seeking authority to provide local exchange telecommunications services in the following states: Connecticut, Florida, Georgia, Maine, Massachusetts, New Jersey, New Hampshire, New York, Pennsylvania, Rhode Island, and Vermont. Network Plus has not been denied authority to provide any telecommunications service in any state.

11. Petitioner is familiar with and will adhere to all applicable Authority rules, policies and orders governing the provision of local exchange telecommunications services.

III. PROPOSED SERVICES

12. Network Plus proposes to provide residential and business local exchange services throughout the state of Tennessee. Initially, Network Plus plans to provide local exchange and exchange access services in the existing service areas of BellSouth Telecommunications, Inc., but seeks statewide authority so that it may expand into other service areas as market conditions warrant.

13. Network Plus will offer all forms of local exchange telecommunications services on a facilities-basis, including, but not limited to the following: (i) local exchange access services to single-line and multi-line customers (including basic access lines, direct inward/outward PBX trunk service, Centrex services, and ISDN); (ii) local exchange usage services to customers of Network's end user access line services; and (iii) switched and special carrier access services to other common carriers. In addition, Applicant also intends to provide 911 and enhanced 911 emergency services, directory assistance and operator assisted calling, dual party relay services, and other miscellaneous services currently provided by existing local exchange carriers.

This will be accomplished through a combination of its own facilities and through the resale of the facilities of other certificated carriers. Network Plus is currently negotiating with BellSouth, but has not yet executed an interconnection agreement with BellSouth. Network Plus will file a copy of the agreement with the TRA upon its completion.

14. Network Plus will file an initial local exchange tariff, with its services and rates, once it completes interconnection negotiations with BellSouth and prior to commencing service.

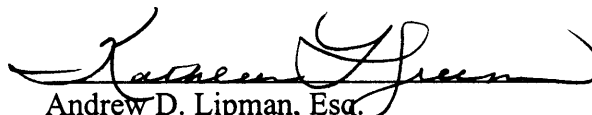
15. Network Plus will bill its customers directly, using industry-accepted methods of billing and collection. Attached hereto as Exhibit 4 is a copy of Network's sample customer bill.

IV. CONCLUSION

The telecommunications industry is growing and changing at an impressive pace. The entry of Network Plus into the local exchange market will enhance competition in the provision of telecommunications services within the State of Tennessee as prescribed by the Tennessee legislature in Chapter 408 of the Public Acts of 1995 and by the Federal Telecommunications Act of 1996. Network Plus will bring significant benefits to telecommunications users in the State of Tennessee. Petitioner's expertise in the telecommunications sector will permit it to select the most economic and efficient services, thereby providing subscribers with a better combination of price, quality, and subscriber service than other carriers. Accordingly, Petitioner anticipates its proposed service will provide subscribers with better quality services and will increase consumer choice of innovative, diversified, and reliable service offerings.

Wherefore, Network Plus, Inc. requests that the Tennessee Regulatory Authority approve its Petition for a Certificate of Public Convenience and Necessity to provide facilities-based and resold local exchange telecommunications services throughout the State of Tennessee.

Respectfully submitted,



Andrew D. Lipman, Esq.

Kathleen L. Greenan, Esq.

SWIDLER & BERLIN, CHARTERED

3000 K Street, N.W., Suite 300

Washington, D.C. 20007-5116

202/424-7500 (Tel)

202/424-7645 (Fax)

Dated:
242230.1

July 17, 1998

EXHIBITS

| | |
|--------------|--|
| Exhibit 1 | Articles of Organization and Certificate of Authority to Transact Business in Tennessee |
| Exhibit 2 | Financial Qualifications |
| Exhibit 3 | Managerial Qualifications |
| Exhibit 4 | Sample Customer Bill |
| Verification | |

Exhibit 1

Articles of Organization
and
Certificate of Authority to Transact Business in Tennessee



The Commonwealth of Massachusetts

Office of the Secretary of State
Michael J. Connolly, Secretary

March 28, 1990

TO WHOM IT MAY CONCERN:

I hereby certify that Network Plus, Inc.

appears by the records of this office to have been incorporated

under the General Laws of this Commonwealth on March 27, 1990

I further certify that so far as appears of record here, said

corporation still has legal existence.

IN TESTIMONY of which, I have hereunto

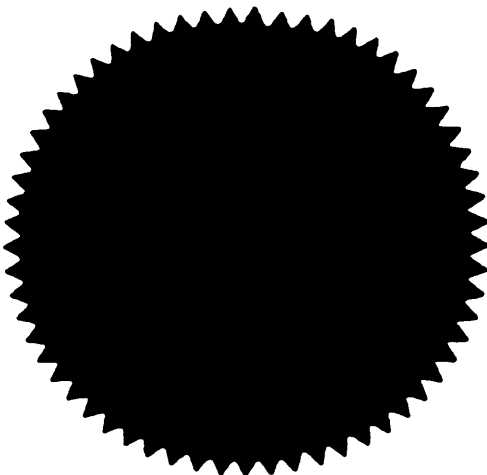
affixed the Great Seal of

the Commonwealth on the

date first above written.

Michael J. Connolly

Secretary of State



lmf

The Commonwealth of Massachusetts

OFFICE OF THE MASSACHUSETTS SECRETARY OF STATE

MICHAEL JOSEPH CONNOLLY, Secretary

ONE ASHBURTON PLACE, BOSTON, MASS. 02108

ARTICLES OF ORGANIZATION

(Under G.L. Ch. 156B)

Incorporators

NAME

POST OFFICE ADDRESS

Include given name in full in case of natural persons; in case of a corporation, give state of incorporation.

Harley M. Sacks
31 Trumbull Road
Northampton, MA 01060

The above-named incorporator(s) do hereby associate themselves with the intention of forming a corporation under the provisions of General Laws, Chapter 156B and hereby state(s):

1. The name by which the corporation shall be known is:

90-086033

Network Plus, Inc.

2. The purpose for which the corporation is formed is as follows:

To operate and conduct telemarketing and telecommunications facilities, services, and operations, and related activities and businesses;
To sell goods, wares, merchandise;
To engage in other business activities necessary to carry out the foregoing;
To buy, sell, hold, lease, mortgage real property and items of personal property; and
To engage in any other business activity permitted by the General Laws of Massachusetts.

Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on separate 8 1/2 x 11 sheets of paper leaving a left hand margin of at least 1 inch for binding. Additions to more than one article may be continued on a single sheet so long as each article requiring each such addition is clearly indicated.

3. The total number of shares and their value, if any, of each class of stock which the corporation is authorized as follows:

| CLASS OF STOCK | WITHOUT PAR VALUE | WITH PAR VALUE | | |
|----------------|-------------------|------------------|-----------|---------|
| | NUMBER OF SHARES | NUMBER OF SHARES | PAR VALUE | AMOUNT |
| Preferred | None | None | 0 | \$ None |
| Common | 20,000 | None | 0 | None |

*4. If more than one class is authorized, a description of each of the different classes of stock with, if any, the preferences, voting powers, qualifications, special or relative rights or privileges as to each class thereof and any series now established:

Not applicable

*5. The restrictions, if any, imposed by the Articles of Organization upon the transfer of shares of stock of any class are as follows:

No restrictions are imposed by the Articles of Organization.

*6. Other lawful provisions, if any, for the conduct and regulation of business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders:

See continuation sheet

*If there are no provisions state "None".

Continuation Sheet 6A

PROVISIONS AS TO INTERCOMPANY DEALINGS

The Corporation may enter into contracts or transact business with one or more of its directors, officers or stockholders or with any corporation, organization or other concern in which any one or more of its directors, officers or stockholders are directors, officers, stockholders or are otherwise interested and may enter into other contracts or transactions in which any one or more of its directors, officers or stockholders is in any way interested; and, in the absence of fraud, no such contract or transaction shall be invalidated or in any way affected by the fact that such directors, officers or stockholders of the Corporation have or may have interests which are or might be adverse to the interest of the Corporation even though the vote or action of directors, officers or stockholders having such adverse interests may have been necessary to obligate the Corporation upon such contract or transaction. At any meeting of the Board of Directors of the Corporation (or of any duly authorized committee thereof) at which any such contract or transaction shall be authorized or ratified, any such director or directors may vote or act thereat with like force and effect as if he had no such interest, provided in such case the nature of such interest shall be disclosed or shall have been known to the directors or a majority thereof. A general notice that a director or officer is interested in any corporation or other concern of any kind above referred to shall be a sufficient disclosure as to the nature of such interest of such director or officer with respect to all contracts and transactions with such corporation or other concern. No director shall be disqualified from holding office as director or officer of the Corporation by reason of any such adverse interests, unless the Board of Directors shall determine that such adverse interest is detrimental to the interests of the Corporation.

PROVISIONS RELATIVE TO THE PLACE OF
MEETINGS OF STOCKHOLDERS

Meetings of stockholders of the Corporation may be held anywhere in the United States.

PROVISIONS RELATIVE TO MAKING, AMENDING
AND REPEALING BY-LAWS

The By-laws of the Corporation may provide that the directors (as well as the stockholders) may make, amend or repeal the by-laws in whole or in part to the extent permitted by law, subject to the limitations contained in such By-laws.

PROVISIONS RELATIVE TO BECOMING A PARTNER

The Corporation may be a partner in ANY business enterprise which the Corporation would have the power to conduct by itself.

7. By-laws of the corporation have been duly adopted and the initial directors, president, treasurer and clerk, whose names are set out below, have been duly elected.
8. The effective date of organization of the corporation shall be the date of filing with the Secretary of the Commonwealth or if later date is desired, specify date. (not more than 30 days after the date of filing.)
9. The following information shall not for any purpose be treated as a permanent part of the Articles of Organization of the corporation.

a. The post office address of the initial principal office of the corporation of Massachusetts is:

300 Crown Colony Drive, Quincy, MA 02169

b. The name, residence, and post office address of each of the initial directors and following officers of the corporation are as follows:

| NAME | RESIDENCE | POST OFFICE ADDRESS |
|---------------------|---|---|
| President: | | |
| Robert T. Hale, Jr. | 483 E. Broadway So. Boston, MA 02127 | 483 E. Broadway So. Boston, MA 02127 |
| Treasurer: | | |
| Judith B. Hale | 60 Country Way Northampton, MA 01060 | 60 Country Way Northampton, MA 01060 |
| Clerk: | | |
| Judith B. Hale | 60 Country Way Northampton, MA 01060 | 60 Country Way Northampton, MA 01060 |
| Directors: | | |
| Robert T. Hale, Jr. | 483 E. Broadway So. Boston, MA 02127 | 483 E. Broadway So. Boston, MA 02127 |
| Judith B. Hale | 60 Country Way Northampton, MA 01060 | 60 Country Way Northampton, MA 01060 |

c. The date initially adopted on which the corporation's fiscal year ends is:

December 31

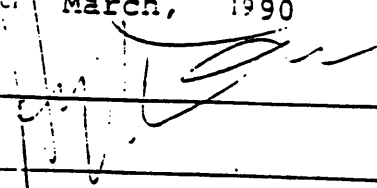
d. The date initially fixed in the by-laws for the annual meeting of stockholders of the corporation is:

The second Tuesday of February

e. The name and business address of the resident agent, if any, of the corporation is:

None

IN WITNESS WHEREOF and under the penalties of perjury the INCORPORATOR(S) sign(s) these Articles of Organization this 26th day of March, 1990



The signature of each incorporator which is not a natural person must be an individual who shall show the capacity in which he acts and by signing shall represent under the penalties of perjury that he is duly authorized on its behalf to sign these Articles of Organization.

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF ORGANIZATION

GENERAL LAWS, CHAPTER 156B, SECTION 12

I hereby certify that, upon an examination of the within-written articles of organization, duly submitted to me, it appears that the provisions of the General Laws relative to the organization of corporations have been complied with, and I hereby approve said articles; and the filing fee in the amount of \$ 200 having been paid, said articles are deemed to have been filed with me this 27th day of March 1990

Effective date

Michael Joseph Connolly
MICHAEL JOSEPH CONNOLLY
Secretary of State

PHOTO COPY OF ARTICLES OF ORGANIZATION TO BE SENT
TO BE FILLED IN BY CORPORATION

TO:

.... Morse, Sacks & Fenton
.... 31 Trumbull Road
.... Northampton, MA 01060
Telephone .. (413) 584-1287

FILING FEE: 1/20 of 1% of the total amount of the authorized capital stock with par value, and one cent a share for all authorized shares without par value, but not less than \$150. General Laws, Chapter 156B. Shares of stock with a par value less than one dollar shall be deemed to have par value of one dollar per share.

Copy Mailed

APPLICATION FOR CERTIFICATE OF AUTHORITY FOR

92 JUN 12 AM 9:48

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-25-103 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is Network Plus, Inc.

If different, the name under which the certificate of authority is to be obtained is _____

[NOTE: The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign corporation for profit if its name does not comply with the requirements of Section 48-14-101 of the Tennessee Business Corporation Act. If obtaining a certificate of authority under an assumed corporate name, an application must be filed pursuant to Section 48-14-101(d).]

2. The state or country under whose law it is incorporated is Massachusetts3. The date of its incorporation is March 27, 1990 (must be month, day, and year), and the period of duration, if other than perpetual, is _____

4. The complete street address (including zip code) of its principal office is _____

| | | |
|---|----------------|---------------|
| <u>300 Crown Colony Drive, Quincy, MA</u> | <u>Norfolk</u> | <u>02169</u> |
| Street | City | State/Country |
| | | Zip Code |

5. The complete street address (including the county and the zip code) of its registered office in this state is _____

| | | |
|--|------------------|--------------|
| <u>306 Gay Street, Suite 200, Nashville, TN,</u> | <u>Davidson,</u> | <u>37201</u> |
| Street | City/State | County |
| | | Zip Code |

The name of its registered agent at that office is _____

Corporation Service Company

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.)

| |
|--|
| <u>Robert T. Hale, Jr., President, 300 Crown Colony Dr., Quincy MA 02169</u> |
| <u>Judith B. Hale, Treasurer, 300 Crown Colony Dr., Quincy MA 02169</u> |
| <u>Judith B. Hale, Secretary, 300 Crown Colony Dr., Quincy MA 02169</u> |

7. The names and complete business addresses (including zip code) of its current board of directors are: (Attach separate sheet if necessary.)

| |
|---|
| <u>Robert T. Hale, Jr., 300 Crown Colony Drive, Quincy MA 02169</u> |
| <u>Judith B. Hale, 300 Crown Colony Drive, Quincy, MA 02169</u> |

8. The corporation is a corporation for profit.

9. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date/time is _____

_____, 19____ (date), _____ (time).

[NOTE: A delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

[NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of corporate records in the state or country under whose law it is incorporated. The certificate shall not bear a date of more than one (1) month prior to the date the application is filed in this state.]

June 2, 1992
 Signature Date
 President
 Signer's Capacity

Network Plus, Inc.
 Name of Corporation
[Signature]
 Signature
Robert T. Hale, Jr.
 Name (typed or printed)

Exhibit 2

Financial Qualifications

**NETWORK PLUS, INC.
FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED
MARCH 31, 1998**

**INDEX TO MARCH 31, 1998
FINANCIAL STATEMENTS**

NETWORK PLUS, INC.
BALANCE SHEETS
(Unaudited)

| | March 31, 1998 | December 31, 1997 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$270,761 | \$1,502,426 |
| Accounts receivable, net of allowance for doubtful accounts of \$554,041 and \$925,964, respectively | 16,566,575 | 16,926,985 |
| Marketable securities | 65,447 | 64,649 |
| Investments | 3,570,000 | 3,570,000 |
| Prepaid expenses | 885,221 | 414,657 |
| Other current assets | 114,639 | 112,476 |
| Total current assets | <u>21,472,643</u> | <u>22,591,193</u> |
| PROPERTY AND EQUIPMENT, NET | 6,719,457 | 6,957,475 |
| OTHER ASSETS | 164,104 | 102,663 |
| TOTAL ASSETS | <u><u>\$28,356,204</u></u> | <u><u>\$29,651,331</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$19,049,701 | \$17,445,256 |
| Accrued liabilities | 2,562,906 | 2,245,099 |
| Revolving line of credit | 1,870,000 | 4,510,000 |
| Notes payable to stockholders | 1,755,000 | 1,755,000 |
| Current portion of debt and capital lease obligations | 5,311,469 | 5,694,324 |
| Total current liabilities | <u>30,549,076</u> | <u>31,649,679</u> |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS | 3,338,635 | 3,623,051 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, no par value, 20,000 shares authorized, 100 shares issued and outstanding | - | - |
| Paid-in capital | 283,064 | 283,064 |
| Retained earnings (deficit) | (5,814,571) | (5,904,463) |
| Total stockholders' equity | <u>(5,531,507)</u> | <u>(5,621,399)</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u><u>\$28,356,204</u></u> | <u><u>\$29,651,331</u></u> |

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|---------------------------|
| | <u>1998</u> | <u>1997</u> |
| Revenue | \$25,201,595 | \$24,740,486 |
| Direct cost of revenue | 18,835,796 | 19,110,436 |
| Gross profit | <u>6,365,799</u> | <u>5,630,051</u> |
| Selling, general and administrative expenses | 5,555,058 | 5,126,365 |
| Depreciation and amortization | 467,768 | 156,495 |
| | <u>6,011,826</u> | <u>5,282,820</u> |
| Operating income | <u>353,973</u> | <u>347,231</u> |
| Other income (expense): | | |
| Interest and dividend income | 3,460 | 21,845 |
| Other income, net | 21,035 | 15,528 |
| Interest expense | (285,415) | (82,510) |
| | <u>(260,092)</u> | <u>(45,137)</u> |
| Income before state income taxes | 93,053 | 302,094 |
| Provision for state income taxes | <u>-</u> | <u>25,543</u> |
| Net income | <u>\$ 93,053</u> | <u>\$ 276,551</u> |
| Retained earnings (deficit), beginning | (3,811,872) | 3,817,845 |
| Distributions to stockholders | <u>(3,161)</u> | <u>(286,001)</u> |
| Retained earnings (deficit), ending | <u><u>\$(3,721,980)</u></u> | <u><u>\$3,808,395</u></u> |

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------------|
| | <u>1998</u> | <u>1997</u> |
| Cash flows from operating activities: | | |
| Net income | \$ 93,053 | \$ 276,551 |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 467,768 | 156,495 |
| (Gain) loss on disposal of fixed assets | (7,894) | - |
| Provision for losses on accounts receivable | 246,451 | 327,028 |
| Exercise of Tel-Save common stock warrants | - | (2,100,000) |
| (Increase) decrease in assets: | | |
| Accounts receivable | 113,959 | (2,690,553) |
| Prepaid expenses | (470,564) | (7,739) |
| Other current assets | (2,163) | 33,342 |
| Other long-term assets | (61,441) | (20,000) |
| (Decrease) increase in liabilities: | | |
| Accounts payable | 1,604,445 | 5,402,695 |
| Accrued liabilities | 317,807 | (453,004) |
| Net cash provided by operating activities | <u>2,301,421</u> | <u>924,815</u> |
| Cash flows from investing activities: | | |
| Proceeds from disposal of fixed assets | 16,647 | - |
| Capital expenditures | (238,503) | (553,020) |
| Purchase of marketable securities | (798) | (720) |
| Net cash used for investing activities | <u>(222,654)</u> | <u>(553,740)</u> |
| Cash flows from financing activities: | | |
| Net proceeds from (payments to) line of credit | (2,640,000) | 1,100,000 |
| Payments of debt and capital lease obligations | (667,271) | (47,580) |
| Distributions to stockholders | (1,236,647) | (286,001) |
| Net cash provided by (used for) financing activities | <u>(3,310,432)</u> | <u>766,419</u> |
| Net increase (decrease) in cash | <u>(1,231,665)</u> | <u>1,137,494</u> |
| Cash at beginning of period | 1,502,426 | 2,240,869 |
| Cash at end of period | <u>\$ 270,761</u> | <u>3,378,363</u> |

The accompanying notes are an integral part of the financial statements

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of
Network Plus, Inc.:

We have audited the accompanying balance sheets of Network Plus, Inc. as of December 31, 1997 and 1996, and the related statements of operations and retained earnings and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Network Plus, Inc. as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years ended December 31, 1997, in conformity with generally accepted accounting principles.

Boston, Massachusetts

March 11, 1998

[Dual date to be determined for discussion of refinancing]

NETWORK PLUS, INC.
BALANCE SHEETS

| | December 31, | |
|--|----------------------------|----------------------------|
| ASSETS | <u>1997</u> | <u>1996</u> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$1,502,426 | \$2,240,869 |
| Accounts receivable, net of allowance for doubtful accounts of \$925,964 and \$850,000, respectively | 16,926,985 | 14,973,825 |
| Marketable securities | 64,649 | 61,570 |
| Investments | 3,570,000 | 2,092,591 |
| Prepaid expenses | 414,657 | 308,043 |
| Other current assets | 112,476 | 93,069 |
| Total current assets | <u>22,591,193</u> | <u>19,769,967</u> |
| PROPERTY AND EQUIPMENT, NET | 6,957,475 | 3,075,382 |
| OTHER ASSETS | 102,663 | 69,480 |
| TOTAL ASSETS | <u><u>\$29,651,331</u></u> | <u><u>\$22,914,829</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$17,445,256 | \$14,023,353 |
| Accrued liabilities | 2,245,099 | 1,933,702 |
| Revolving line of credit | 4,510,000 | 2,000,000 |
| Notes payable to stockholders | 1,755,000 | - |
| Current portion of debt and capital lease obligations | 5,694,324 | 192,821 |
| Total current liabilities | <u>31,649,679</u> | <u>18,149,876</u> |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS | 3,623,051 | 664,044 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, no par value, 20,000 shares authorized, 100 shares issued and outstanding | - | - |
| Paid-in capital | 283,064 | 283,064 |
| Retained earnings (deficit) | (5,904,463) | 3,817,845 |
| Total stockholders' equity | <u>(5,621,399)</u> | <u>4,100,909</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u><u>\$29,651,331</u></u> | <u><u>\$22,914,829</u></u> |

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

| | Year Ended December 31, | | |
|--|------------------------------|----------------------------|----------------------------|
| | <u>1997</u> | <u>1996</u> | <u>1995</u> |
| Revenue | \$98,209,097 | \$75,134,648 | \$49,023,909 |
| Direct cost of revenue | 78,106,311 | 57,207,673 | 35,064,525 |
| Gross profit | <u>20,102,786</u> | <u>17,926,975</u> | <u>13,959,384</u> |
| Selling, general and administrative expenses | 25,703,695 | 19,224,460 | 17,697,651 |
| Depreciation and amortization | 993,609 | 538,986 | 275,814 |
| | <u>26,697,304</u> | <u>19,763,446</u> | <u>17,973,465</u> |
| Operating loss | <u>(6,594,518)</u> | <u>(1,836,471)</u> | <u>(4,014,081)</u> |
| Other income (expense): | | | |
| Interest and dividend income | 85,710 | 94,663 | 202,283 |
| Other income (expense) net | (2,013,497) | 3,529,529 | 7,858,709 |
| Interest expense | (557,091) | (312,283) | (39,780) |
| | <u>(2,484,878)</u> | <u>3,311,909</u> | <u>8,021,212</u> |
| Income (loss) before state income taxes | <u>(9,079,296)</u> | <u>1,475,438</u> | <u>4,007,131</u> |
| Provision for state income taxes | 41,750 | 60,000 | 311,768 |
| Net income (loss) | <u><u>\$ (9,121,046)</u></u> | <u><u>\$ 1,415,438</u></u> | <u><u>\$ 3,695,363</u></u> |
| Retained earnings, beginning | 3,817,845 | 3,639,054 | 1,834,047 |
| Distributions to stockholders | <u>(601,162)</u> | <u>(1,236,647)</u> | <u>(1,890,356)</u> |
| Retained earnings (deficit), ending | <u><u>\$ (5,904,363)</u></u> | <u><u>\$ 3,817,845</u></u> | <u><u>\$ 3,639,054</u></u> |

The accompanying notes are an integral part of the financial statements.

NETWORK PLUS, INC.
STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | | |
|--|-------------------------|--------------|--------------|
| | <u>1997</u> | <u>1996</u> | <u>1995</u> |
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ (9,121,046) | \$ 1,415,438 | \$ 3,695,363 |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: | | | |
| Depreciation and amortization | 993,609 | 532,632 | 275,814 |
| (Gain) loss on disposal of fixed assets | (178) | 380 | - |
| Provision for losses on accounts receivable | 4,104,382 | 1,101,537 | 887,231 |
| Amortization of AT&T credits | - | (1,810,003) | (2,436,491) |
| Exercise of Tel-save common stock warrants received as consideration | (3,570,000) | (2,800,000) | - |
| Valuation of Tel-Save common stock warrants received as consideration | 2,092,591 | (2,092,591) | - |
| Proceeds from sale of Tel-Save common stock | - | 4,167,000 | - |
| Gain on sale of Tel-Save common stock | - | (1,367,000) | - |
| (Increase) decrease in assets: | | | |
| Accounts receivable | (6,057,542) | (1,584,767) | (7,967,503) |
| Prepaid expenses | (106,614) | (217,838) | (60,152) |
| Other current assets | (19,407) | 11,110 | 198,035 |
| Other long-term assets | (33,183) | (12,753) | 484,413 |
| (Decrease) increase in liabilities: | | | |
| Accounts payable | 8,021,903 | 4,146,491 | 6,726,920 |
| Accrued liabilities | 311,397 | (438,301) | 659,391 |
| Net cash provided by (used for) operating activities | (3,384,188) | 1,051,335 | 2,463,021 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of fixed assets | 9,000 | - | - |
| Proceeds from sale of fixed assets to affiliate | - | 33,920 | 535,435 |
| Capital expenditures | (3,363,167) | (2,135,049) | (859,969) |
| Purchase of marketable securities | (3,079) | (3,002) | - |
| Proceeds from sale of marketable securities | - | 90,000 | 140,751 |
| Net cash used for investing activities | (3,357,246) | (2,014,131) | (183,783) |
| Cash flows from financing activities: | | | |
| Net proceeds from line of credit | 2,510,000 | 2,000,000 | - |
| Proceeds from note payable | - | 1,000,000 | - |
| Proceeds from notes payable to stockholders | 1,755,000 | - | - |
| Proceeds from sale and leaseback of fixed assets | 3,450,000 | - | - |
| Payments on debt and capital lease obligations | (1,110,847) | (167,415) | (13,095) |
| Distributions to stockholders | (601,162) | (1,236,647) | (1,890,356) |
| Net cash provided by (used for) financing activities | 6,002,991 | 1,595,938 | (1,903,451) |

| | | | |
|--|---------------------------|---------------------------|---------------------------|
| Net increase (decrease) in cash | (738,443) | 633,142 | 375,787 |
| Cash at beginning of year | <u>2,240,869</u> | <u>1,607,727</u> | <u>1,231,940</u> |
| Cash at end of year | <u><u>\$1,502,426</u></u> | <u><u>\$2,240,869</u></u> | <u><u>\$1,607,727</u></u> |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the year for: | | | |
| Interest | <u>\$ 498,176</u> | <u>\$ 298,075</u> | <u>\$ 39,780</u> |
| Income taxes | <u><u>\$ 14,809</u></u> | <u><u>\$ 242,532</u></u> | <u><u>\$ 167,489</u></u> |

The accompanying notes are an integral part of the financial statements

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Network Plus, Inc. (the "Company") is a switch-based carrier and switchless reseller of long distance telecommunications services, principally to small and medium-sized businesses throughout the United States. Revenues are derived from the sale of domestic and international telephone services, calling cards, debit cards and paging services. The Company operates two telephony switches, located in Quincy, Massachusetts and Orlando, Florida, and contracts with Sprint Communications Company, LP ("Sprint") to provide switching and dedicated voice and data services for a portion of the Company's telecommunications traffic.

Revenue Recognition and Accounts Receivable

Telecommunication revenues and accounts receivable are recognized when calls are completed or when services are provided. Accounts receivable include both billed and unbilled amounts, and are reduced by an estimate for uncollectible amounts.

Cash Equivalents

All highly liquid cash investments with maturities of three months or less at date of purchase are considered to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. Upon retirement or other disposition of property and equipment, the cost and related depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings.

Capital Leases

Capital leases, those leases which transfer substantially all benefits and risks of ownership, are accounted for as acquisitions of assets and incurrences of obligations. Capital lease amortization is included in depreciation and amortization expense, with the amortization period restricted to the lease term. Interest on the related obligation is recognized over the lease term at a constant periodic rate.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Effective March 1, 1992, the Company elected by the consent of its stockholders to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay corporate federal income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on their share of the Company's taxable income. The Company continues to pay state income taxes in those states that do not fully recognize the Subchapter S provision and states which collect certain franchise taxes.

Concentration of Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. In addition, risk exists in cash deposited in banks that may, at times, be in excess of FDIC insurance limits. Cash balances are managed daily to reduce revolving credit borrowings. The trade accounts receivable risk is limited due to the breadth of entities comprising the Company's customer base and their dispersion across different industries and geographical regions. The Company evaluates the credit worthiness of customers, as appropriate, and maintains an adequate allowance for potential uncollectible accounts.

Reclassifications

Certain amounts in the financial statements for prior years have been reclassified to conform with the current year presentation. Such reclassifications had no effect on previously reported results of operations.

2. RELATED PARTY TRANSACTIONS

In December 1997, the Company's stockholders issued the Company loans totaling \$1,755,000. Interest on the loans accrues at the prevailing prime rate (8.5% at December 31, 1997) and is payable monthly. There is no required period for principal repayment. The loans are expected to be repaid in 1998 and, accordingly, have been classified as a current liability in the accompanying balance sheet.

The Company had a service arrangement through May 1997 with a marketing company, the shareholders of which have a controlling interest in the Company. The marketing company provided services relative to establishing, training and expanding the Company's sales organization. For the years ending December 31, 1997, 1996 and 1995, the amounts paid to the marketing company were \$55,000, \$132,000 and \$197,000, respectively.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. RELATED PARTY TRANSACTIONS (CONTINUED)

Office space, located in Quincy, MA, is leased from a trust, the beneficiaries of which are the same as the stockholders of the Company. The Company makes monthly rental payments of \$35,900. In each of the years ending December 31, 1997, 1996, and 1995, the amount paid to the trust was \$431,000.

3. MARKETABLE SECURITIES

Marketable securities are as follows:

| December 31, 1997 | |
|-------------------|--------------------------------------|
| | <u>Cost</u> <u>Fair Value</u> |
| U.S. obligations | \$2,649 \$2,649 |
| Other securities | 62,000 62,000 |
| | <u>\$64,649</u> <u>\$64,649</u> |

| December 31, 1997 | |
|-------------------|--------------------------------------|
| | <u>Cost</u> <u>Fair Value</u> |
| U.S. obligations | \$2,520 \$2,520 |
| Other securities | 59,050 59,050 |
| | <u>\$61,570</u> <u>\$61,570</u> |

4. INVESTMENTS AND SALE OF CUSTOMER BILLING BASE

Investments are as follows:

| December 31, 1997 | |
|-------------------|---------------------------------------|
| | <u>Cost</u> <u>Fair Value</u> |
| Tel-Save Warrants | <u>\$3,570,000</u> <u>\$3,570,000</u> |

| December 31, 1996 | |
|-------------------|---------------------------------------|
| | <u>Cost</u> <u>Fair Value</u> |
| Tel-Save Warrants | <u>\$2,092,591</u> <u>\$2,092,591</u> |

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. INVESTMENTS AND SALE OF CUSTOMER BILLING BASE (CONTINUED)

In 1995, the Company sold three separate billing bases of customer accounts to other telecommunications companies for cash totaling approximately \$8,422,000 and warrants to purchase shares of common stock of Tel-Save Holdings, Inc. ("Tel-Save"). The cash received was recognized as miscellaneous income in 1995. The Company was required to fulfill certain sales volume obligations in order to exercise the warrants. As of December 31, 1995, the Company had not met those obligations and, accordingly, had ascribed no value to the warrants.

During 1996, the Company met the sales volume obligations to exercise a portion of the outstanding warrants. Certain of these warrants were exercised and common stock related to those warrants were sold by the Company resulting in net proceeds and income of \$1,367,000. The remainder of the warrants that became exercisable in 1996 were subsequently exercised in 1997. These warrants were classified as investments and were valued at approximately \$2,092,000 at December 31, 1996 using an established valuation model at the date of valuation. A total of approximately \$3,459,000 was recognized as miscellaneous income in 1996 relating to these warrants.

In 1997, the Company met all of the obligations necessary to exercise the remaining warrants, and cash payments totaling \$3,570,000 were made to exercise all outstanding warrants. In total, warrants exercised in 1997 entitle the Company to 765,000 shares of Tel-Save common stock, subject to the registration of the shares by Tel-Save. The shares were registered in November 1997.

The agreements between Tel-Save and the Company require the transfer of ownership of the physical shares of common stock from Tel-Save to the Company upon the Company meeting certain requirements. The Company believes it has met these requirements and has requested consummation of the transfer of ownership, which has yet to occur. The Company is pursuing legal remedies to compel Tel-Save to honor the terms of the agreements.

Upon receipt of the physical shares of common stock, the Tel-Save common stock will be classified as available-for-sale in accordance with SFAS 115. SFAS 115 requires that available-for-sale investments that have readily determinable fair values be measured at fair value in the balance sheet and that unrealized holding gains and losses for these investments be reported as a separate component of stockholders' equity until realized. At December 31, 1997, the warrants are valued at the amount of cash paid in 1997. The \$2.1 million valuation recorded in 1996 was reversed in 1997 due to the non-marketable status of the warrants.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. PROPERTY AND EQUIPMENT

| | | December 31, | |
|---|--------------------------|---------------------|---------------------|
| | Estimated Useful Life | <u>1997</u> | <u>1996</u> |
| Switching equipment | 5 years | \$ 4,004,889 | \$ 1,513,908 |
| Computer equipment | 3-5 years | 2,755,561 | 948,027 |
| Office furniture and equipment | 7 years | 1,271,554 | 1,156,910 |
| Purchased software | 3 years | 693,507 | 274,927 |
| Motor Vehicles | 5 years | 174,850 | 174,850 |
| Leasehold improvements | Term of lease | <u>130,533</u> | <u>91,677</u> |
| | | 9,030,894 | 4,160,299 |
| Less accumulated depreciation and amortization | | <u>(2,073,419)</u> | <u>(1,084,917)</u> |
| | | <u>\$ 6,957,475</u> | <u>\$ 3,075,882</u> |

In 1997, upon review of the Company's experience and expectations for upgrades and replacement of equipment, the Company changed the estimated useful life of its switching equipment from 12 years to 5 years. Depreciation expense in 1997 was approximately \$136,000 more than what would have otherwise been reported had the change in estimate not been made. Annual depreciation expense related to these assets will be approximately \$407,000 more through 2002 than what would have otherwise been reported had the change not been made.

In August 1997, the Company entered into a sale and leaseback of its switching equipment. The equipment was sold at book value, which approximates market value, and, consequently, no gain or loss was recorded on the sale. The Company has the right to reacquire the equipment at the end of the lease's five-year term.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

| | December 31, | |
|--|--------------------|--------------------|
| | <u>1997</u> | <u>1996</u> |
| Accrued interest | \$ 60,323 | \$ 14,208 |
| Accrued salaries, wages, commissions and related taxes | 297,053 | 444,249 |
| Customer deposits | 361,410 | 124,825 |
| Accrued income and franchise taxes | 765,589 | 879,247 |
| Accrued taxes other than income and franchise | 237,554 | 375,085 |
| Other accrued liabilities | 523,170 | 96,088 |
| | <u>\$2,245,099</u> | <u>\$1,933,702</u> |

7. REVOLVING CREDIT AGREEMENT

The Company has a revolving line of credit with Fleet National Bank for borrowings up to \$7,000,000, including letters of credit, which expires on May 31, 1998. Borrowings in excess of \$5,000,000 are subject to a formula based arrangement based upon a percentage of accounts receivable. Interest is payable monthly at the bank's prime rate or available LIBOR options. The revolving line of credit requires the Company to meet certain debt service, liquidity and tangible net worth covenants. At December 31, 1997, cash borrowings under the line of credit totalled \$4,510,000 and letters of credit issued in the ordinary course of business totalled \$120,000. At December 31, 1996, cash borrowings under the line totalled \$2,000,000 and there were no outstanding letters of credit. The interest rate on such borrowings was 8.5% at December 31, 1997 and 8.25% at December 31, 1996. The maximum borrowings under the agreement in 1997 and 1996 were \$5,000,000 and \$3,000,000, respectively.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

8. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt and capital lease obligations consist of the following:

| | December 31, | |
|---------------------------|--------------------|------------------|
| | <u>1997</u> | <u>1996</u> |
| Notes payable | \$4,600,000 | \$855,166 |
| Capital lease obligations | <u>4,717,375</u> | <u>1,699</u> |
| | 9,317,375 | 856,865 |
| Less current portion | <u>5,694,324</u> | <u>192,821</u> |
| | <u>\$3,623,051</u> | <u>\$664,044</u> |

The Company issued a promissory note, dated December 1, 1997, to Sprint for repayment of \$4,600,000 previously classified as accounts payable. Monthly principal payments are required from February 1998 through the note's maturity on September 1, 1998. Interest accrues at a fixed rate of 9.75% per annum on the unpaid principal balance and is payable monthly.

In January of 1996, the Company entered into a five-year term loan agreement in the amount of \$1,000,000 at a fixed rate of 8.11% per year, secured by switching equipment. This loan was repaid in October 1997. At December 31, 1996, the unpaid principal on the loan was \$846,085.

The Company's capital leases contain various covenants which, among other things, require specified ratios of total liabilities to net worth and net income requirements.

The Company has received commitments for a \$23 million revolving credit agreement from Fleet National Bank. The revolving credit agreement will have a term of three years and will replace the existing facility. Interest is payable monthly at the bank's prime rate or available LIBOR options. All outstanding notes payable are planned to be paid in full with proceeds from the new facility.

Exhibit 3

Managerial Qualifications

MANAGEMENT

Executive Officers and Directors

The following table provides certain information regarding the executive officers and directors of the Company.

| Name | Age | Positions |
|-----------------------|------------|--|
| Robert T. Hale | 60 | Chairman of the Board of Directors |
| Robert T. Hale, Jr. | 31 | Chief Executive Officer, President and Director |
| James J. Crowley | 33 | Executive Vice President, Secretary and Director |
| Steven L. Shapiro | 40 | Treasurer, Chief Financial Officer and Vice President of Finance |
| Kevin B. McConnaughey | 40 | Vice President and General Manager of International Services |
| Steven Stanfill | 44 | Vice President of Network Services |

Robert T. Hale is a co-founder of the Company and has served as Chairman of the Board of the Company since its inception in 1990. Mr. Hale is a founding member of the Telecommunications Resellers Association and has served as chairman of its Carrier Committee since 1993 and served as Chairman of its Board from May 1995 to May 1997. Mr. Hale was president of Hampshire Imports, the original importer of Laura Ashley Womenswear to the U.S. and a manufacturer of exclusive women's apparel, from 1968 to present.

Robert T. Hale, Jr., is a co-founder of the Company and has served as Chief Executive Officer, President, and Director of the Company since its inception in 1990. He was previously employed by U.S. Telecenters, a sales agent for NYNEX Corporation, from 1989 to 1990, where he was among the Company's most successful sales representatives. Mr. Hale was a sales representative at MCI from 1988 to 1989.

James I. Crowley has served as Executive Vice President of the Company since 1994 and became a Director in 1998. He was previously an attorney at Hale and Dorr LLP, a Boston law firm, from 1992 to 1994.

Steven L. Shapiro has served as Treasurer, Chief Financial Officer, and Vice President of Finance for the Company since July 1997. He served as Vice President and Controller of Grossman's Inc., a public retailer of building materials, from 1993 to 1997, and as its Assistant Controller from 1986 to 1993. Mr. Shapiro served as a certified public accountant with Arthur Andersen & Co. from 1979 to 1986.

NETWORK PLUS

Account Number

Invoice for the Period 06/01/97 to 06/30/97

Billing Date

CALL DETAIL

ACCOUNT CODE

CALLS FROM

| | DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE | | DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE | | | |
|----|------|--------|----------------|--------------|---------|---|--------|---|------|------|---------------|----------------|------------|----|--------|-----|---|------|
| 1. | 6/23 | 08:55A | (603) 876-4514 | MARLBOROUGH | NH | N | 2.9 | D | 0.32 | 6/26 | 10:10A | (603) 673-3333 | MILFORD | NH | N | 0.8 | D | 0.09 |
| 2. | 6/23 | 12:56P | (603) 889-3030 | NASHUA | NH | N | 1.6 | D | 0.17 | 6/27 | 11:42A | (603) 673-5511 | MILFORD | NH | N | 5.0 | D | 0.55 |
| 3. | 6/23 | 03:56P | (603) 889-3030 | NASHUA | NH | N | 2.1 | D | 0.23 | 6/27 | 01:56P | (603) 673-5511 | MILFORD | NH | N | 9.5 | D | 1.04 |
| 4. | 6/24 | 08:44A | (603) 352-1510 | KEENE | NH | N | 1.4 | D | 0.15 | 6/27 | 02:20P | (603) 673-5511 | MILFORD | NH | N | 2.5 | D | 0.27 |
| 5. | 6/24 | 03:03P | (603) 876-3351 | MARLBOROUGH | NH | N | 1.2 | D | 0.13 | 6/27 | 02:24P | (408) 286-6537 | SAN JOSE | CA | N | 0.8 | D | 0.09 |
| 6. | 6/25 | 03:42P | (207) 594-4446 | ROCKLAND | ME | N | 3.9 | D | 0.43 | 6/30 | 08:25A | (603) 673-3333 | MILFORD | NH | N | 0.7 | D | 0.08 |
| 7. | 6/25 | 03:47P | (603) 352-6855 | KEENE | NH | N | 3.9 | D | 0.43 | 6/30 | 08:27A | (603) 352-1510 | KEENE | NH | N | 1.8 | D | 0.20 |
| 8. | 6/25 | 03:52P | (603) 352-6855 | KEENE | NH | N | 1.7 | D | 0.19 | 6/30 | 10:22A | (603) 626-4400 | MANCHESTER | NH | N | 0.6 | D | 0.07 |
| 9. | 6/26 | 09:36A | (603) 357-1896 | KEENE | NH | N | 7.6 | D | 0.83 | | | | | | | | | |

TOTAL FOR CALLS FROM

17 CALLS

48.0

\$5.27

ACCOUNT CODE

CALLS FROM

| DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE | DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE |
|------|------|---------------|----------------|---------|----|--------|------|------|---------------|--------------|---------|---|--------|
| 10. | 6/30 | 04:10P | (704) 792-9594 | CONCORD | NC | N | 1.4 | D | 0.15 | | | | |

TOTAL FOR CALLS FROM

1 CALL

1.4

\$0.15

ACCOUNT CODE

CALLS FROM

| | DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE | | DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE | | | |
|-----|------|--------|----------------|--------------|---------|---|--------|---|------|------|---------------|----------------|------------|----|--------|-----|---|------|
| 11. | 6/27 | 01:57P | (603) 672-4978 | MILFORD | NH | N | 0.7 | D | 0.08 | 6/30 | 10:31A | (603) 888-0560 | NASHUA | NH | N | 8.8 | D | 0.96 |
| 12. | 6/27 | 02:18P | (203) 744-4372 | DANBURY | CT | N | 0.5 | D | 0.05 | 6/30 | 10:56A | (617) 762-7200 | NORWOOD | MA | N | 0.8 | D | 0.09 |
| 13. | 6/27 | 03:17P | (508) 555-1212 | DIR ASST | MA | N | 1.0 | D | 0.75 | 6/30 | 11:01A | (508) 528-1111 | FRANKLIN | MA | N | 1.1 | D | 0.12 |
| 14. | 6/27 | 04:29P | (603) 673-4000 | MILFORD | NH | N | 0.6 | D | 0.07 | 6/30 | 11:03A | (617) 762-7200 | NORWOOD | MA | N | 1.3 | D | 0.14 |
| 15. | 6/28 | 09:11A | (603) 673-4000 | MILFORD | NH | N | 2.1 | E | 0.23 | 6/30 | 11:27A | (401) 463-7500 | PROVIDENCE | RI | N | 3.8 | D | 0.41 |
| 16. | 6/28 | 10:07A | (603) 882-1571 | NASHUA | NH | N | 1.6 | E | 0.17 | 6/30 | 11:32A | (617) 935-2000 | WOBURN | MA | N | 0.7 | D | 0.08 |
| 17. | 6/28 | 11:52A | (603) 672-4978 | MILFORD | NH | N | 0.6 | E | 0.05 | 6/30 | 02:19P | (508) 635-9200 | ACTON | MA | N | 2.2 | D | 0.24 |
| 18. | 6/28 | 01:53P | (603) 666-3642 | MANCHESTER | NH | N | 1.0 | E | 0.11 | 6/30 | 02:31P | (212) 555-1212 | DIR ASST | NY | N | 1.0 | D | 0.75 |
| 19. | 6/28 | 03:01P | (602) 423-5106 | SCOTTSDALE | AZ | N | 1.3 | E | 0.14 | 6/30 | 03:29P | (212) 555-1212 | DIR ASST | NY | N | 3.0 | D | 0.75 |
| 20. | 6/28 | 03:05P | (603) 429-8474 | MERRIMACK | NH | N | 0.5 | E | 0.05 | 6/30 | 04:19P | (603) 672-4978 | MILFORD | NH | N | 0.5 | D | 0.05 |

TOTAL FOR CALLS FROM

20 CALLS

33.0

\$5.29

Exhibit 4

Sample Customer Bill

BILLING SUMMARY

| | |
|--------------------|-------------------|
| Previous Balance | \$1,189.89 |
| Payments & Credits | \$1,189.89CR |
| Amount Past Due | |
| Current Charges | <u>\$1,351.96</u> |

REFLECTS PAYMENTS RECEIVED THROUGH JULY 1, 1998

For questions about your bill, call Network Plus at (800) 230-6000

Refer to your Network Plus account number:

ADDING ADDITIONAL LINES?

MOVING TO A NEW LOCATION WITH NEW PHONE LINES?

PLEASE BE SURE TO CALL OUR CUSTOMER SERVICE TEAM
AT 1-800-230-6000 WITH THIS INFORMATION TO
ENSURE THESE NEW LINES ARE ADDED TO YOUR ACCOUNT
SO YOU CAN ENJOY YOUR LOW RATES FROM THE FIRST
MINUTE OF USAGE!

Page 1

PLEASE DETACH AND REMIT THIS PORTION WITH YOUR PAYMENT

NETWORK PLUS

Amount Due Payable on Receipt \$1,351.96

AMOUNT REMITTED \$

NETWORK PLUS, INC.
P.O. BOX 15609
WORCESTER, MA 01615-0609

!0161506092!

Kevin B. McConnaughey has served as Vice President and General Manager of International Services for the Company since March 1997. From 1995 to 1997 he was Associate Vice President of Business Development for Teleglobe International, where he was responsible for work on Teleglobe USA's initial strategic plan, coordinating business development activities with the RBOCs and negotiating and maintaining various international traffic arrangements with international carriers. From 1990 to 1995, Mr. McConnaughey was employed by Sprint International and held a variety of product management, international carrier relations and marketing positions. Prior to joining Sprint International, Mr. McConnaughey was a regional manager for US Sprint's international department and held a number of network planning and engineering positions with GTE Sprint and Southern Pacific Communications.

Steven Stanfill has served as Vice President of Network Services of the Company since 1994. He served as Vice President of Network Operations at Ascom Communications, a telecommunication services provider, from 1989 to 1994. From 1983 to 1989, Mr. Stanfill served in various management capacities at National Applied Computer Technologies, a telecommunications switching equipment manufacturer.

Each director serves until his or her successor is duly elected and qualified. Officers serve at the discretion of the Board of Directors. Robert T. Hale, Jr. is the son of Robert T. Hale and Judith B. Hale, and Judith B. Hale is the spouse of Robert T. Hale. There are no other family relationships among the Company's executive officers and directors. No executive officer of the Company is a party to an employment agreement with the Company.

Board Committees

The Board of Directors has appointed a Compensation Committee, which assists in the establishment of salaries and incentive compensation for certain senior officers and employees and the administration and grant of stock options pursuant to the Company's stock option plan. The Board of Directors has also appointed an Audit Committee, which reviews the results and scope of the audit and other services provided by the Company's independent public accountants.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LEASE COMMITMENTS

The Company has entered into noncancellable operating leases for office space in several locations in the eastern United States. The leases have termination dates through 2003 and require the payment of various operating costs including condominium fees. Rental expense related to the leases for the years ended December 31, 1997, 1996 and 1995 were \$732,747, \$687,991 and \$501,012, respectively.

Minimum lease payments for the next five years and thereafter are as follows:

| <u>Year Ended December 31,</u> | <u>Capital Leases</u> | <u>Operating Leases</u> |
|---|-----------------------|-------------------------|
| 1998 | \$ 1,254,025 | \$ 683,720 |
| 1999 | 1,368,037 | 630,408 |
| 2000 | 1,230,331 | 346,209 |
| 2001 | 817,211 | 87,948 |
| 2002 | 749,174 | 89,752 |
| Thereafter | - | 75,055 |
| Total minimum lease payments | \$ 5,418,778 | <u>\$ 1,913,092</u> |
| Less imputed interest | <u>701,403</u> | |
| Present value of minimum lease payments | 4,717,375 | |
| Less current portion | <u>1,094,324</u> | |
| Long-term capital lease obligations | <u>\$ 3,623,051</u> | |

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Property and equipment under capital leases are as follows:

| | December 31, | |
|-------------------------------|---------------------|---------------|
| | <u>1997</u> | <u>1996</u> |
| Switching equipment | \$ 3,836,889 | \$ - |
| Computer equipment | 1,526,572 | - |
| Office equipment | - | 3,261 |
| | <u>5,363,461</u> | <u>3,261</u> |
| Less accumulated amortization | (514,894) | (2,670) |
| | <u>\$ 4,848,567</u> | <u>\$ 591</u> |

10. UNEARNED CREDITS

In 1993 and 1994, the Company, through special sales promotions offered through AT&T on three-year service contracts, received cash based on maintaining annual sales commitment levels over a specific dollar amount. The total amounts received from the AT&T promotions were amortized over the three-year length of each contract and were fully amortized prior to 1997. Amortization of these credits included in revenue in 1996 and 1995 was \$1,810,003 and \$3,347,648, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable as a guarantor on a bank loan made to the trust from whom the Company leases office space in Quincy, MA (see Note 2). The outstanding balance of the loan at December 31, 1997 and 1996 is \$1,485,843 and \$1,545,853, respectively.

Certain of the Company's internal computer systems are not Year 2000 compliant. The Company has been taking actions to correct or replace those systems and expects to successfully implement the systems and programming changes necessary to address the Year 2000 issues during 1998.

12. MAJOR SUPPLIER

The Company has an agreement with Sprint to provide switching and dedicated voice and data services. This agreement will expire in 1999. At expiration or any time prior, the Company can renew all material aspects of the agreement with Sprint. In the event that renewal does not occur, the Company may be able to negotiate equally beneficial terms with other major telecommunications companies. Should neither of these alternatives be possible, there could be material adverse implications for the Company's financial position and operations. Management's experience has been to renegotiate agreements annually to ensure receiving competitive pricing, and management believes the Company will be able to continue to renegotiate the agreements. The current agreement was renegotiated in March 1998.

NETWORK PLUS, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

13. EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) and profit sharing plan (the "Plan") which is open to all eligible employees under the Plan's provisions. The terms of the Plan allow the Company to determine its annual profit sharing contribution. There were no Company contributions to the Plan in 1997 or 1996. The Company's contribution to the Plan in 1995 was \$175,000.

Exhibit 3

Managerial Qualifications

MANAGEMENT

Executive Officers and Directors

The following table provides certain information regarding the executive officers and directors of the Company.

| Name | Age | Positions |
|-----------------------|------------|--|
| Robert T. Hale | 60 | Chairman of the Board of Directors |
| Robert T. Hale, Jr. | 31 | Chief Executive Officer, President and Director |
| James J. Crowley | 33 | Executive Vice President, Secretary and Director |
| Steven L. Shapiro | 40 | Treasurer, Chief Financial Officer and Vice President of Finance |
| Kevin B. McConnaughey | 40 | Vice President and General Manager of International Services |
| Steven Stanfill | 44 | Vice President of Network Services |

Robert T. Hale is a co-founder of the Company and has served as Chairman of the Board of the Company since its inception in 1990. Mr. Hale is a founding member of the Telecommunications Resellers Association and has served as chairman of its Carrier Committee since 1993 and served as Chairman of its Board from May 1995 to May 1997. Mr. Hale was president of Hampshire Imports, the original importer of Laura Ashley Womenswear to the U.S. and a manufacturer of exclusive women's apparel, from 1968 to present.

Robert T. Hale, Jr., is a co-founder of the Company and has served as Chief Executive Officer, President, and Director of the Company since its inception in 1990. He was previously employed by U.S. Telecenters, a sales agent for NYNEX Corporation, from 1989 to 1990, where he was among the Company's most successful sales representatives. Mr. Hale was a sales representative at MCI from 1988 to 1989.

James J. Crowley has served as Executive Vice President of the Company since 1994 and became a Director in 1998. He was previously an attorney at Hale and Dorr LLP, a Boston law firm, from 1992 to 1994.

Steven L. Shapiro has served as Treasurer, Chief Financial Officer, and Vice President of Finance for the Company since July 1997. He served as Vice President and Controller of Grossman's Inc., a public retailer of building materials, from 1993 to 1997, and as its Assistant Controller from 1986 to 1993. Mr. Shapiro served as a certified public accountant with Arthur Andersen & Co. from 1979 to 1986.

NETWORK PLUS

Account Number

Invoice for the Period 06/01/97 to 06/30/97

Billing Date

CALL DETAIL

ACCOUNT CODE

CALLS FROM

| DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE | DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE |
|---------|--------|----------------|--------------|---------|---|------------|------|--------|----------------|--------------|---------|---|------------|
| 1. 6/23 | 08:55A | (603) 876-4514 | MARLBOROUGH | NH | N | 2.9 D 0.32 | 6/26 | 10:10A | (603) 673-3333 | WILFORD | NH | N | 0.8 D 0.09 |
| 2. 6/23 | 12:56P | (603) 889-3030 | NASHUA | NH | N | 1.6 D 0.17 | 6/27 | 11:42A | (603) 673-5511 | WILFORD | NH | N | 5.0 D 0.55 |
| 3. 6/23 | 03:56P | (603) 889-3030 | NASHUA | NH | N | 2.1 D 0.23 | 6/27 | 01:56P | (603) 673-5511 | WILFORD | NH | N | 9.5 D 1.04 |
| 4. 6/24 | 08:44A | (603) 352-1510 | KEENE | NH | N | 1.4 D 0.15 | 6/27 | 02:20P | (603) 673-5511 | WILFORD | NH | N | 2.5 D 0.27 |
| 5. 6/24 | 03:03P | (603) 876-3351 | MARLBOROUGH | NH | N | 1.2 D 0.13 | 6/27 | 02:24P | (408) 286-6537 | SAN JOSE | CA | N | 0.8 D 0.09 |
| 6. 6/25 | 03:42P | (207) 594-4446 | ROCKLAND | ME | N | 3.9 D 0.43 | 6/30 | 08:25A | (603) 673-3333 | WILFORD | NH | N | 0.7 D 0.08 |
| 7. 6/25 | 03:47P | (603) 352-6855 | KEENE | NH | N | 3.9 D 0.43 | 6/30 | 08:27A | (603) 352-1510 | KEENE | NH | N | 1.8 D 0.20 |
| 8. 6/25 | 03:52P | (603) 352-6855 | KEENE | NH | N | 1.7 D 0.19 | 6/30 | 10:22A | (603) 626-4400 | MANCHESTER | NH | N | 0.6 D 0.07 |
| 9. 6/26 | 09:36A | (603) 357-1896 | KEENE | NH | N | 7.6 D 0.83 | | | | | | | |

TOTAL FOR CALLS FROM

17 CALLS

48.0

\$5.27

ACCOUNT CODE

CALLS FROM

| DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE | DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE |
|----------|--------|----------------|--------------|---------|---|------------|------|------|---------------|--------------|---------|---|--------|
| 10. 6/30 | 04:10P | (704) 792-9594 | CONCORD | NC | N | 1.4 D 0.15 | | | | | | | |

TOTAL FOR CALLS FROM

1 CALL

1.4

\$0.15

ACCOUNT CODE

CALLS FROM

| DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE | DATE | TIME | NUMBER CALLED | PLACE CALLED | MINUTES | P | CHARGE |
|----------|--------|----------------|--------------|---------|---|------------|------|--------|----------------|--------------|---------|---|------------|
| 11. 6/27 | 01:57P | (603) 672-4978 | WILFORD | NH | N | 0.7 D 0.08 | 6/30 | 10:31A | (603) 888-0550 | NASHUA | NH | N | 8.8 D 0.96 |
| 12. 6/27 | 02:18P | (203) 744-4372 | DANBURY | CT | N | 0.5 D 0.05 | 6/30 | 10:56A | (617) 762-7200 | NORWOOD | MA | N | 0.8 D 0.09 |
| 13. 6/27 | 03:17P | (508) 555-1212 | DIR ASST | MA | N | 1.0 D 0.75 | 6/30 | 11:01A | (508) 528-1111 | FRANKLIN | MA | N | 1.1 D 0.12 |
| 14. 6/27 | 04:29P | (603) 673-4000 | WILFORD | NH | N | 0.6 D 0.07 | 6/30 | 11:03A | (617) 762-7200 | NORWOOD | MA | N | 1.3 D 0.14 |
| 15. 6/28 | 09:11A | (603) 673-4000 | WILFORD | NH | N | 2.1 E 0.23 | 6/30 | 11:27A | (401) 463-7500 | PROVIDENCE | RI | N | 3.8 D 0.41 |
| 16. 6/28 | 10:07A | (603) 882-1571 | NASHUA | NH | N | 1.6 E 0.17 | 6/30 | 11:32A | (617) 935-2000 | WOBURN | MA | N | 0.7 D 0.08 |
| 17. 6/28 | 11:52A | (603) 672-4978 | WILFORD | NH | N | 0.5 E 0.05 | 6/30 | 02:19P | (508) 635-9200 | ACTON | MA | N | 2.2 D 0.24 |
| 18. 6/28 | 01:53P | (603) 666-3642 | MANCHESTER | NH | N | 1.0 E 0.11 | 6/30 | 02:31P | (212) 555-1212 | DIR ASST | NY | N | 1.0 D 0.75 |
| 19. 6/28 | 03:01P | (602) 423-5106 | SCOTTSDALE | AZ | N | 1.3 E 0.14 | 6/30 | 03:29P | (212) 555-1212 | DIR ASST | NY | N | 3.0 D 0.75 |
| 20. 6/28 | 03:05P | (603) 429-8474 | MERRIMACK | NH | N | 0.5 E 0.05 | 6/30 | 04:19P | (603) 672-4978 | WILFORD | NH | N | 0.5 D 0.05 |

TOTAL FOR CALLS FROM

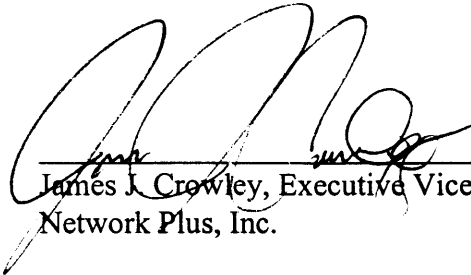
20 CALLS

33.0

\$5.29

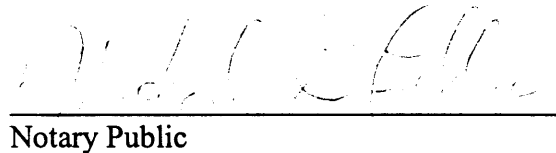
VERIFICATION

I, JAMES J. CROWLEY, being first duly sworn, declare that I am the Executive Vice President of Network Plus, Inc., the Petitioner in this subject proceeding, and that I am authorized to make this Verification on behalf of Petitioner; that I have read the foregoing Petition and know the contents thereof; and that the same are true and correct to the best of my knowledge, information, and belief.



James J. Crowley, Executive Vice President
Network Plus, Inc.

SUBSCRIBED AND SWORN TO before me, this 14 day of July, 1998.



Notary Public

My Commission expires: _____
My Commission Expires April 28, 2000